# 2006 Employer Survey on Health Insurance Coverage in Montana

## Final Report
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by

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# Executive Summary

## Findings on Montana Employers Offering of Health Insurance in 2006

- 49 percent of all Montana firms offered health insurance to their employees in 2006 with the majority of them (94 percent) offering it to all employees;
- Firms with larger workforces offer health insurance more often than firms with a smaller number of employees.
- Forty percent of firms with 5 or fewer workers offer health insurance and 69 percent of firms with 11 to 20 employees offer insurance;
- 100 or more employees is the workforce threshold for offering health insurance with all firms of 100 employees or more offering health insurance to all of their workforce;
- Unaffordable costs of health insurance premiums were the major obstacle for 2/3 of the firms who did not offer health insurance to their employees;
- 25 percent of the employers offering health insurance offered coverage to retirees→ more than half of these firms offered it to both early retirees and retirees older than 65 years of age;

## Findings on Changes in Montana Employers Offering of Health Insurance between 2003 and 2006

- Eighty six percent of the 486 employers interviewed in 2006 were also interviewed in our 2003 survey;
- Health insurance offer rates for firms did not change over the three year period;
- Health insurance offer rates for small firms with less than 10 employees did not change over the three year period;
- High health insurance premiums were the major reason cited by employers in 2003 and 2006 for not offering health insurance to their employees;
- A high percent (80 percent) of the firms offering health insurance in 2003 and 2006 reported cost of insurance as very difficult to somewhat difficult;
- There was very little turnover in the number of employers adding or dropping health insurance;
    a. 22 percent of the 418 employers did not offer health insurance in 2003 or in 2006;
    b. 6 percent added health insurance as a benefit over this three year period;
    c. 6 percent dropped health insurance;

- Health insurance costs for employers increased dramatically with much of the cost shifted to employees;

- Average monthly premiums for single coverage increased by 24 percent [from $295 to $365 per month] and the employee's share increased by77 percent [from $35 to $62];

- Average monthly premiums for an employee with family coverage increased by 13 percent [from $597 to $677 per month] and the employee's share increased by 29 percent [from $122 to $157];

## Findings on Montana's Health Care Affordability Program

- More than half (57 percent) of the employers not offering health insurance in 2006 had heard of the Montana Health Care Affordability program.

- Forty three percent of the firms currently offering insurance to their employees had not heard of the state program.

- Awareness of the state program was acknowledged by 49 percent of the small firms with 5 or fewer employees and without any employee being paid more than $75,000 per year.

- Fifty one percent of the eligible firms with five or fewer employees had not heard of the stare program.

- About two thirds of eligible small firms said they would be likely to participate in the state program.

- Thirty percent of the eligible small firms said they would be very unlikely to participate in the state program.

- Thirty five percent of small firms with 10 or fewer employees said they would be 'very' or 'somewhat' likely to make cash payments to workers in lieu of negotiating with an insurance company in order to provide company based health insurance.

- Larger firms of 100 employees or more said they would not offer cash payments as an option to providing health insurance to employees.

- Ten firms in the 418 longitudinal sample were either enrolled (7), in the process of enrolling (1), or on the waiting list (2) for the Montana Small Business Health Care Affordability Act;

- Out of these ten firms, 5 offered health insurance in 2003 and 2006; 2 firms added health insurance as a benefit between 2003 and 2006; 3 firms will be adding health insurance upon enrollment.

# SECTION I

# BACKGROUND

Montana has one of the highest rates of uninsured in the nation. Nineteen percent or 173,000 Montanans were without health insurance according to the 2003 Montana Household Survey, a large sample comprehensive survey on health insurance.

Montana's 19 percent uninsured rates have not changed since 2003 based on the Bureau of Business and Economic Research on-going quarterly survey of 400 households that contains several questions on health insurance coverage. Recent quarterly poll results show that Montana's overall uninsured rate has not changed from the 19 percent estimated with the larger 2003 sample.

## Employer-based Health insurance in Montana

The high cost of health insurance is a major barrier to employer-based health insurance in Montana. Health insurance costs dramatically affect small employers with limited financial resources. The insurance cost/small firm relationship significantly contributes to Montana's high rate of insured since small firms with ten or fewer employees represent 35 percent of total state employment.

Tax credits and premium assistance are part of the state's policy response to Montana's problem of low insurance offer rates by small firms. This health insurance assistance to small firms is used in other states that have established (Maine and Massachusetts) or are in the process of setting up (New Mexico and New York) comprehensive health insurance reform.

Montana has been developing policies for extending coverage to different target groups such as small employers (Healthcare Affordability program), low-income children (CHIP expansion) and other groups (Medicaid and special entitlement health programs). Both the expansion of public health insurance and assistance to small firms should help reduce Montana's number of uninsured although, given the 170,000 Montanans who are not covered, other health policy actions are necessary.

Several cost impacts associated with Montana's tax credits approach to extending healthcare coverage need to be recognized. Continued reliance on tax credits to employers can become a high cost approach; especially if credits are relied on to significantly reduce the large number of Montanans without health insurance. Tradeoffs between the full, long run costs of in expanding tax credits and premium subsides to employers and creation of targeted private insurance plans for hard-to-insure groups need to be identified and compared to the gains in coverage for the state's uninsured.

Coverage gains through private insurance should be compared to the expansion of public programs such as CHIP and Medicaid and to the public health investments in community health clinics that directly serve Montana's uninsured in rural and urban communities throughout the state. Appropriate cost comparisons would identify the cost tradeoffs between increased coverage through private and public health programs and, most importantly, the long run implications of public dollar subsidies to private coverage for the Montana taxpayer as well as the state government.

## Cost Impacts of Tax Credits

Employer tax credits have a number of direct and indirect cost impacts to the state and to taxpayers. A direct cost of expanding employer-based tax credit programs is the loss of tax revenues due to the exclusion of employer-provided health insurance expenditures from taxation.

Indirect costs of tax credits reflect how many uninsured workers are captured or brought into coverage through the employer tax credits. Currently insured workers benefit to the extent that tax credits encourage firms to continue to offer health insurance. Workers currently ensured somewhere besides their current job may shift to their employer's health plan as a result of a tax credit subsidy.

Another indirect cost impact of tax credits is the health costs of the population newly insured. Tax credits targeted on small firms with low wage workers may include a higher cost adult population that consumes more health care. The direct and indirect costs can be combined into an efficiency measure of spending per dollar of insurance value provided which incorporates both increased number of persons covered and the cost of the individuals provided coverage.

One estimate (Gruber, National Bureau of Economic Research and MIT, 2004) of the 'economic efficiency' from employer tax credits establishes a measure of government spending per dollar of insurance value calculated by the ratio of government spending to the sum of the insurance value provided to the uninsured. The estimates from a national model show that costs or spending per dollar of insurance from employer tax credits targeted on small employers range from $2.36 to $3.70 spending per dollar of insurance. Efficiency measures for expanding public health insurance range from $1.17 to $1.33 per dollar of insurance value provided with most of these costs due to otherwise insured individuals moving into the public insurance program.

These different efficiency cost effects should be analyzed as part of expanding state coverage to the uninsured through stepwise or piecemeal strategies. And a total spending figure should be computed if the long run intention is to eventually provide coverage to all Montanans through these different programs.

Full cost accounting should be accompanied by performance measures that capture important objectives of affordable, equitable and cost effective quality health care. This would necessarily entail more precise identification of target group uptake rates as a component of policy evaluation.

## The 2006 Employer Survey

The Bureau of Business and Economic Research's 2003 Employer Survey on health insurance was conducted for the initial State Planning Grant on Health Insurance in order to fill in gaps in our knowledge about health insurance coverage in Montana.

The 2003 sample of completed phone interviews of 520 Montana employers has now been followed up with a 2006 survey telephone survey sample of 486 Montana employers that includes 418 firms out of the original 2003 survey. Weighted samples for both years were used so that the results are representative of all Montana employers.

The 2003 Montana Business Insurance Survey was a stratified random telephone survey of businesses located in Montana covered by unemployment insurance. The data were collected by the Survey Research Center at The University of Montana-Missoula, Bureau of Business and Economic research from March 2003 to May 2003.

The 2006 Montana Employer Survey was a repeat stratified random telephone survey of businesses located in Montana covered by unemployment insurance. The firms that were no longer in business since the 2003 survey were replaced with firms that started since May of 2003. The data were collected by the Survey Research Center at The University of Montana-Missoula, Bureau of Business and Economic Research, from January 2006 to March 2006. Results and findings from both surveys are discussed and analyzed in this report.

## SECTION II

# Findings from the 2006 Employer Survey

About half of all Montana employers offered health insurance to their employees in 2003, a rate that had not changed by 2006. Although the overall offer rate of health insurance by employers did not change over the three year period there was a change in the percentage of employers offering insurance to all of their employees.

The high cost of health insurance and the workforce size of employers were major determinants for offering job-based health insurance in Montana. Very small firms with 5 employees or less were the least likely to offer health insurance. In 2003 63 percent of these small firms did not offer health insurance, a rate that decreased slightly to 60 percent in the 2006 survey.

Forty eight percent of Montana firms with 6 to 10 employees offered health insurance to their employees in both 2003 and 2006 (Tables 1 and 2).

Larger firms were more likely to offer health insurance to their workers. The offer rate or percent of firms offering health insurance increased with a firm size. Firms with 100 or more employees was the critical size threshold for offering health insurance with firms in this category offering health insurance to their workforce.

## Workforce Coverage, Benefits and Costs

Health insurance is not offered to all workers. Small firms offered coverage to a portion of their employees while larger firms offered insurance to a higher proportion of their work force, although not always to their entire work force. There was an improvement in the percent of firms offering insurance to all employees between 2003 and 2006.

Ninety percent of those Montana employers who offered health insurance in 2006 offered it to all their employees compared to seventy percent in 2003. There are some qualifications, however, to this apparent gain in insurance offering. First, the percent of employers offering insurance who offered it to all workers significantly varied by size of the firm. And second, there was dramatic cost shifting of health insurance premiums by employers to workers.

The percent of firms offering health insurance to all employees (Table 1 and Table 2) increased for all firm size classes over the three-year period. Larger firms of 20 or more employees showed especially strong gains in offering insurance to all workers increasing from thirty seven percent of all firms in this size category in 2003 to fifty one percent offering health insurance to all their workers by 2006.

Not all of this was a positive gain on insurance coverage rates. Although health insurance was offered to a higher proportion of employees over the three years, these gains were offset by a disproportionate shifting of higher health insurance premiums onto employees.

**Table 1: Employer-Sponsored Health Insurance Offers, by Firm Size – Montana, 2003 (n=520)**

| Firm Size | No Insurance Offer | Offer to Some Employees | Offer to All Employees |
|---|---|---|---|
| 1-5 employees | 63% | 10% | 27% |
| 6-10 employees | 48% | 15% | 37% |
| 11-19 employees | 28% | 19% | 53% |
| 20-100 employees | 20% | 34% | 46% |
| 101+ employees | 4% | 47% | 49% |

Source: 2003 MT Business Insurance Survey, Bureau of Business and Economic Research, University of Montana.

**Table 2: Employer-Sponsored Health Insurance Offers, by Firm Size – Montana, 2006 (n=486)**

| Firm Size | No Insurance Offer | Offer to Some Employees | Offer to All Employees |
|---|---|---|---|
| 1-5 employees | 60% | 6% | 34% |
| 6-10 employees | 47% | 2% | 51% |
| 11-19 employees | 31% | 11% | 58% |
| 20-100 employees | 17% | 5% | 78% |
| 101+ employees | 2% | 6% | 92% |

Source: 2006 Employer Survey on Health Insurance in Montana, Bureau of Business and Economic Research, University of Montana

Montana employers' offering of health insurance between 2003 and 2006 was remarkably stable with no dramatic changes in the proportion of employers offering health insurance to their employees. Twenty-two percent of the 418 employers did not offer health insurance in 2003 or in 2006.

The stability of the employer health insurance offer rate is reflected by the number of firms who added and who dropped health insurance benefits over the past three years. Six percent of the 418 employers surveyed in both years added health insurance as a benefit over this three year period while another six percent of the employer sample offered health insurance in 2003 but dropped it by 2006.

In the 2006 survey eighty percent of the firms offering health insurance had 30 hours or more as the weekly work requirement for health coverage. Sixty five percent of the employers in 2006 required at least 3 months on the job before an employee was eligible for health insurance and there was a significant cluster of firms requiring a six month on the job waiting period.

Employers continue to offer dental and prescription drug coverage in their employee health plans. Forty seven percent of the employers offering health insurance include dental coverage in their health plan. Seventy four percent offer prescription drug coverage to their employees as part of the health insurance plan.

Healthcare and health insurance cost increases show up in the premiums paid by employers. Higher health insurance premiums affect not only the employer, however, but also the employee depending on by how much the employee's share of monthly premiums increase.

Dollar costs of health insurance for Montana workers and employers were measured in the survey (Figure 1) by monthly insurance premiums for 'employee only' coverage and for 'employee and family' coverage. The 2003 survey data showed that average monthly premiums for 'employee only' coverage was $295 and the 2006 survey data showed a mean value of $365 as the monthly premium. Average premium costs of family coverage went from $597 in 2003 to $677 per month by 2006.

**Figure 1: Monthly Health Insurance Premiums for Montana Firms Offering Health Insurance, 2003, (n=228) and 2006 (n=222)**


The dollar increase in monthly health insurance premiums in just three years was significant. 'Employee only' insurance increased by $70 per month while 'employee family' coverage increased by $80 per month. Both of these increases equal more than $800 per year higher health insurance costs and approach $1000 annually for the 'employee plus family' coverage.

## Employer Responses to Higher Health Insurance Premiums

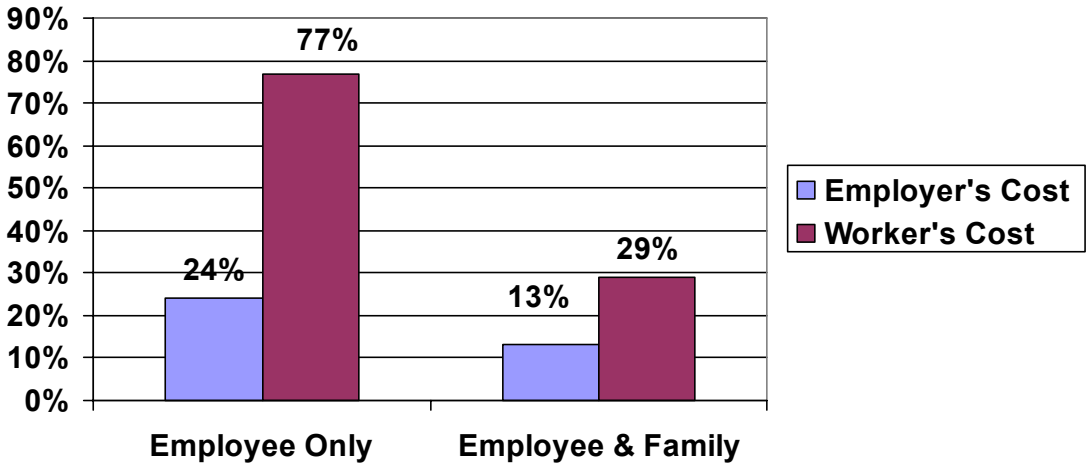
Employers' responses to higher health insurance premiums have been to shift most of the increased health insurance premium costs to employees. Cost shifting to employees occurred by increasing the monthly dollar amount paid by the employee, increasing the amount of the plan's deductible, increasing the dollar amount of employee co-pay on visits or some combination of all three.

Higher employee monthly payments were the major approach to cost shifting onto workers. One third of employers experiencing higher insurance premiums increase said they increased the dollar amount paid by employees. The average dollar monthly payment by employees for single coverage went from $35 in 2003 to $62 dollars in 2006. Average monthly premium costs paid by employees for family coverage went from $122 to $156 per month over the same period.

The comparative cost shifting to employees can be seen in Figure 2 which shows percentage increases in costs on employers and cost increases experienced by employees in terms of their dollar share of the company's monthly premium costs. Single coverage monthly payments for workers increased by 77% in three years compared to the 24 percent cost increase to employers

for that type of coverage. Employees with family coverage paid 29 percent more, more than double the percent increase of 13 percent for monthly premiums experienced by employers.

**Figure 2: Percentage Change in Monthly Health Insurance Premium Costs for Montana Employers and Their Workers, 2003 to 2006**




Employers are pessimistic about cost relief and expect health insurance costs to continue as a major economic concern. Two thirds of the employers offering health insurance thought that premium cost increases in excess of what they could afford was either 'very likely' or 'somewhat likely'.

Continued cost shifting to their employees was identified as the most likely strategy for dealing with rising health insurance costs. Seventy percent of the employers offering health insurance said it was either 'very likely' or 'somewhat likely' that they would shift higher insurance costs to employees. It seems reasonable, therefore, to expect a continuation of cost shifting of higher health insurance premiums to workers.

Other employer responses to higher costs such as reducing care choices or switching plans were also reported by employers offering health insurance. Only a small percent (10 percent) of employers indicated that would pursue these options to cope with increasing costs for health insurance coverage.

Health insurance cost increases dominate most of the responses from employers in the job based insurance survey. Health insurance costs were a major concern to employers in 2003 and were also the focus three years later.

## Higher Health Insurance Costs and Employer Offer Rates

Employer costs of health insurance premiums were identified as the major reason that employers advanced as to why they either did not offer or thought firms did not offer health insurance (Table 3). Eighty one percent of the firms in 2003 thought premiums were too high and prevented firms from offering insurance, a response rate which had not diminished significantly by 2006. Six percent thought high turnover was a major determinant of Montana firms not offering health insurance coverage in 2003 and five percent saw turnover as problematic in 2006.

**Table 3: Why Montana Firms Do Not Offer Health Insurance Coverage: 2003 (n=302) and 2006 (n= 249)**

| Reasons | 2003 | 2006 |
|---|---|---|
| Premiums Too High | 81% | 76% |
| Employees Covered by Another Plan | 9% | 6% |
| Turnover Too Great | 6% | 5% |
| Other Reasons | 4% | 13% |

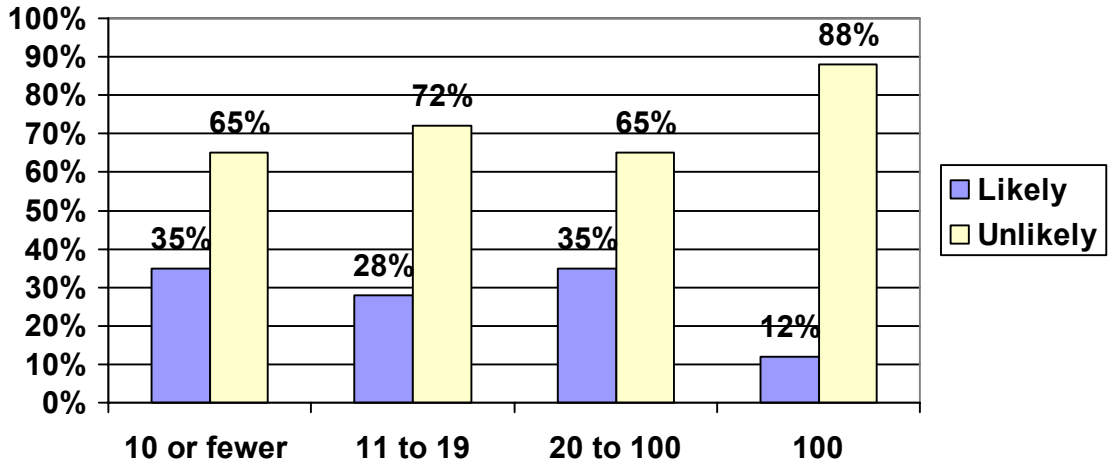
Montana employers were asked reasons why their eligible employees did not use the health insurance coverage offered (Table 4). Two thirds of the employers in both survey years thought or knew that their employees were covered by another plan. Twenty-six percent of the employers responding to this question in both survey years cited high premium costs and the affordability of insurance as the major reason some of their workers did not use the firm's health insurance plan.

**Table 4: Montana's Employers' Views of Why Eligible Employees Do Not Use Firm's Health Insurance Coverage, 2003 and 2005**

| Reasons | 2003 | 2006 |
|---|---|---|
| Can't Afford Premiums | 26% | 26% |
| Employees Covered by Another Plan | 66% | 66% |
| Don't Think They Need Insurance | 2% | 3% |
| Other Reasons | 6% | 5% |

Alternatives to dealing with higher health insurance costs were explored. Firms were asked about providing cash payments for health insurance to workers who would then use it to buy health insurance coverage in lieu of the employer continuing to negotiate with health insurance companies. This was not a very attractive option to most employers and it became less attractive for large firms.

**Figure 3: Percent of Firms by Firm Size Who Would be Likely or Unlikely to Provide Direct Cash Payments to Employees for Health Insurance, 2006**




Thirty five percent of small firms with 10 or fewer employees said they would be very or somewhat likely to make cash payments to workers in lieu of negotiating with an insurance company in order to provide company based health insurance. The likelihood of the cash payment option did not gain support for larger firms and for very large firms-by Montana standards-of more than 100 employees very few of the 68 respondents in this firm size category indicated that they would be likely to provide a cash payment. Only 12 percent said they would be very or somewhat likely to offer cash payments in lieu of negotiating and providing health insurance.

## SECTION III

# Montana's Healthcare Affordability Act

Our 2003 survey (www.dphhs.mt.gov/uninsured/pdffiles/healthreportfinal.pdf) showed that more than three out of four Montanans without health insurance were employed. Twenty-six percent of the uninsured were self-employed and a company or an organization employed fifty-one percent with more than half of these employed by small employers of 10 or fewer employees. The majority (84 percent) of these employed Montanans without insurance were in permanent jobs.

The fact that one in five Montanans do not have health insurance, even though more than half of the uninsured work for small businesses was recognized in the 2005 legislative session by the Small Business Healthcare Affordability Act. The measure passed and signed into law in May of 2005 provides tax credits and premium payments to small business owners for employee health insurance. The Act also provides for small business formation of purchasing pools designed to negotiate lower-priced health plans through group purchasing.

The Employer Tax Credit is targeted on employers already providing health insurance who employ two to five employees and where no employee is paid more than $75,000 per year (owner excluded). The tax credit cannot be more than 50% of premiums paid.

To qualify for Premium Incentive and Assistance Payments employers of 2 to 5 employees cannot currently provide employee health insurance. Eligible employers also must go through the new State Health Insurance Purchasing Pool or another qualified Association Plan and cannot have an employee who is paid more than $75,000 per year (owner excluded).

The 2006 employer survey identified small firms who were participating in the state program. There were 13 firms in the sample who were either enrolled, in the process of enrolling, or wait listed for the Montana Small Business Health Insurance Affordability Act program. Ten of these thirteen firms were also in the 2003 sample thereby providing data on their insurance coverage status in the two time periods.

Five of ten firms offered health insurance in 2003 and continued to offer it in 2006. Two of the ten have added health insurance as a benefit since 2003. Three out of the ten firms will be adding health insurance when they become enrolled in the program.

Although this sample is too small for evaluating the program's impact on the uninsured there are other, useful data from the 2006 survey about employer awareness and marketing of the state program.

## Employer Awareness of Montana's Health Insurance Assistance Programs

In the 2006 survey employers were asked about their familiarity with the State of Montana program providing tax credits to small businesses already offering health insurance or monthly premium assistance combined with purchasing pools to small businesses not currently offering health insurance.

More than half (57 percent) of the employers not offering health insurance in 2006 had heard of the state programs. The higher percent of 57 percent compared to 43 percent of the firms currently offering insurance to their employees who had not heard of the program.

There was a high probability of employers participating in the State of Montana program in 2006. Sixty-eight percent of firms not offering insurance said they would be 'very likely' or 'somewhat likely' to participate in a tax credit or premium assistance/purchasing pool program. This high positive response to the program is consistent with the full subscription rates the program has experienced since starting operations in January 2006.

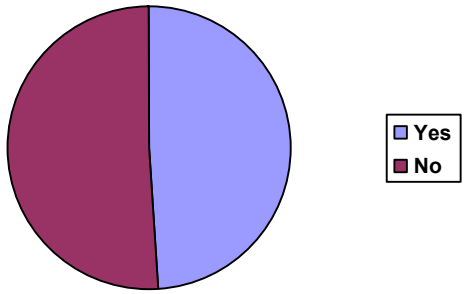
## Awareness Among Montana's Eligible Employers with 5 or less Employees

The marketing effectiveness and targeting of Montana's Health Care Affordability Act on eligible employers can be measured from the survey data. Stratifying the sample to firms with 5 or fewer employees and eliminating those small firms where an employee is paid more than $75,000 per year (which violates one of the program's requirement) results in a sample of 113 firms.

Awareness of the State of Montana program that provides tax credits to small business or a monthly incentive and membership in a purchasing pool was acknowledged by almost half of the

small firms with 5 or fewer employees and without any employee being paid more than $75,000 per year. Fifty one percent of these firms had not heard about the program.

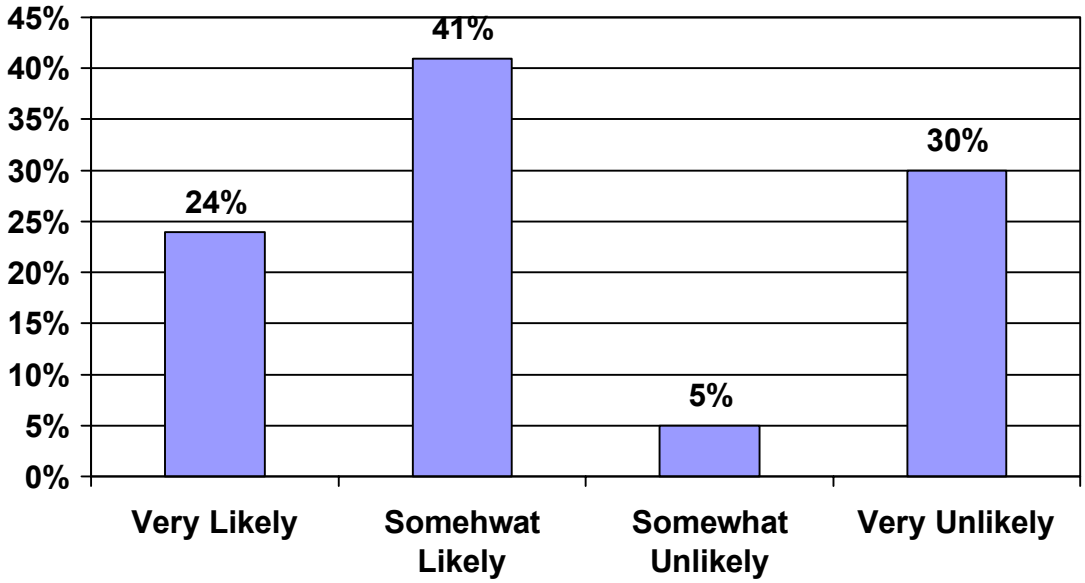
**Figure 4: Percent of Eligible Small Firms Who Have Heard About Montana's Health Insurance Assistance Program, 2006 (n=113)**




Familiarity with the Montana program of health insurance to small businesses in 2006 is consistent with expressed interest by employers in the 2003 survey questions about potential participation in such a program when sixty seven percent of them said they would participate in such a program. Forty percent of the firms in the earlier survey said they would participate in a premium assistance/purchasing pool program.

The willingness of small firms to participate in the state's health insurance assistance program was examined in the survey. Firms were asked to rate from very likely to very unlikely their likelihood of participating in the state program. Figure 5 shows the response pattern.

**Figure 5: Likelihood of Eligible Small Firms Participating in the State Health Insurance Assistance Program, 2006 (n=113)**




About two thirds of eligible small firms said they would be likely to participate in the state program. Thirty percent of the firms said they would be very unlikely to participate.

## SECTION IV

# Summary and Conclusions

There are population groups within the state with dramatically higher uninsured rates than the statewide average. Groups that are most likely to be uninsured include young adults, populations of American Indians, and people with lower incomes.

There are many different reasons why a person may lack health insurance. Qualitative research conducted through focus groups and key informant interviews as a complement to the 2003 Montana Household Survey and the Employer Survey identify that some of the main reasons for disparities in health insurance coverage are cost and affordability to consumers and to employers. Many small employers were barely able to afford insurance for themselves and their families.

Differences in worker access to employer-based and private health coverage has been a factor in explaining why some persons do not have employer based health insurance. Many jobs, especially in small businesses, are with employers that either do not offer health insurance to any workers or offer it to only a select group of their workforce. Therefore, it is likely that no single strategy will succeed in reducing uninsured rates for all of the population groups that experience higher uninsured rates than the statewide average. Instead, strategies will need to be tailored to particular groups of people, taking into consideration the wide variety of reasons for being uninsured.

Increasing the state's public health infrastructure through public health clinics is another policy option for extending health care coverage to Montanans. This can be accomplished through an increase in the number of clinics and increases in the range of services provided.

Strategies for extending health care coverage to more Montanans should be evaluated not only in terms of their potential to reach a large number of uninsured but also their potential to reduce disparities in uninsured rates experienced by different population groups. In addition to the challenges of improving overall rates of insurance coverage and reducing disparities in uninsured rates, Montana also faces the challenge of increasing insurance coverage in the face of rapidly rising health care costs. The cost of private health insurance has been growing at or near double digit rates in Montana similar to national data showing the same trend.

The cost of health insurance is one component of the overall costs associated with Montana's high numbers of uninsured. The increased health care costs down the road for the uninsured when treatment for their health problems can no longer be postponed or ignored is also an important cost impact of high uninsured rates. Older, uninsured folks with chronic health conditions impose significant costs on public health insurance such as Medicaid and Medicare as they become eligible on either a needs basis (Medicaid) or age basis (Medicare). The high level and concentration of health care services in old age and toward the end of life might be alleviated by better access to preventative and maintenance health care earlier in life.

As discussed earlier, there are also costs to the state's stepwise policy approach to extending health care coverage to more people. Employer tax credits entail costs in addition to the direct state budget costs of the credits.

Employer based health insurance benefits are not taxable and therefore represent a loss of revenue to federal and state governments. Tax credits also fail to address rising health insurance premiums since firms are cost enabled through the credit to provide health insurance coverage. Finally, tax credits and the expansion of employer based health insurance may include workers who would otherwise be covered by a program elsewhere, particularly health insurance from their partner or spouse.

One estimate (Gruber, National Bureau of Economic Research and MIT, 2004) of the 'economic efficiency' costs puts the different subsidy and displacement effects from tax credits on a cost per dollar of health insurance provided basis. Those estimates show that costs or spending per dollar of insurance from employer tax credits range from $2.36 to $3.70 for credits targeted on small employers. Inclusion of med sized and larger employers increases the range to between $3.57 and $5.47 per dollar of health insurance provided.

Increased coverage of the uninsured through public insurance is more efficient in the cost per dollar of health insurance provided. Expansion of Medicaid may attract enrollees who would otherwise be covered by a higher, out pocket cost employer based program or whose employer has dropped insurance coverage assuming the person is eligible for Medicaid. This is a negative displacement that adds to the dollar spending on health insurance. Estimates (Gruber, 2004) of

the public insurance costs per dollar spending on health insurance range from $1.17 to $1.33 per dollar of insurance.

Tax credits to employers as a policy tool for significantly extending health care coverage to the more than 170,000 Montanans without health insurance would be very expensive for two reasons. First, state government budget dollars required for a major expansion large enough to significantly reduce the 170,000 uninsured would go far beyond the special cigarette tax revenue source available in 2006. Second, the actual or economic efficiency costs would be more than double the dollar amount of actual credits provided. Large scale expansion through tax credits involving some millions of dollars would be very expensive and economic untenable in the long run.

It is clear from the both the 2003 and 2006 employer surveys that increases in the price of private health insurance will most likely reduce the number of Montanans covered by employer based insurance. Even robust economic growth in the state economy may not overcome the cost impact of higher insurance premiums to employers. The recent strong performance of Montana's economy has not lead to major net gains in the offering of health insurance by employers.

If employers discontinue offering health insurance benefits or pass-on a higher share of the premium cost to employees, it most likely that more Montanans, especially those in small firms and in low wage jobs will lose job based health insurance coverage.

# Appendix: Employer Survey Methodology

## THE 2003 EMPLOYER SAMPLE

The 2003 Montana Employer Survey was a stratified random telephone survey of businesses located in Montana covered by unemployment insurance. The data were collected by the Survey Research Center at The University of Montana-Missoula, Bureau of Business and Economic Research, from March 200 to May 2003. A key objective of the survey was to fill in gaps in our knowledge about Montana business offering of health insurance to their employees. The survey sampling methodology was designed to obtain a higher number of completed interviews from larger businesses because most Montana businesses have fewer than 10 employees. In order to achieve these goals, the survey was conducted as a stratified random sample, where the strata were business size.

The sample for the 2003 survey was drawn from the list of employers covered by unemployment insurance maintained by the Research and Analysis Bureau of the Montana Department of Labor and Industry. It was stratified by establishment size. Once calling began, it became apparent that some establishments were single individuals with no employees at the current time. These firms were dropped from the sample because their insurance coverage information was included in the household survey as self-employed individuals. A total of 520 interviews were completed. The overall response rate to the 2003 Montana Employer Survey was 81.1 percent. Many of these were large out-of-state corporations with Montana offices. Of those firms where contact was made, more than 95 percent answered the questions. Table A-1 shows the response rate calculation.

**Table A-1: 2003 Employer Survey Completion Rate Calculation**

| | |
|---|---|
| **Total businesses located** | **642** |
| **Unable to contact** | **95** |
| **Contacted** | **546** |
| **Refusals** | **26** |
| **Completions** | **520** |
| | |
| **Response rate for contacts** | **95.2%** |
| **Response rate for sample** | **81.0%** |

Statistical weights for the 2003 Montana Employer Survey were constructed to adjust for the fact that not all of the firms were selected with the same probability.

## THE 2006 EMPLOYER SAMPLE

The 2006 Montana Employer Survey was a repeat stratified random telephone survey of businesses located in Montana covered by unemployment insurance. The firms that were no longer in business were replaced with firms that started since May of 2003. The data were collected by the Survey Research Center at The University of Montana-Missoula, Bureau of Business and Economic Research, from January 2006 to March 2006. A key objective of the survey was to fill in gaps in our knowledge about Montana business offering of health insurance to their employees. The survey sampling methodology was designed to obtain a higher number of completed interviews from larger businesses because most Montana businesses have fewer than 10 employees. In order to achieve these goals, the survey was conducted as a stratified random sample, where the strata were business size.

The initial sample for the 2006 survey was drawn from the list of employers called by BBER in 2003. Many firms in the original sample were no longer in business. Those firms were replaced by randomly selecting firms that started conducting business in May 2003 from the list of Montana firms covered by unemployment insurance maintained by the Research and Analysis Bureau of the Montana Department of Labor and Industry.

### Completion Rate

A total of 486 interviews were completed. The overall completion rate to the 2006 Montana Employer Survey was 81.1 percent. 418 firms out of the original 520 firms that participated in the 2003 Montana Employer Survey completed the 2006 questionnaire. An additional 150 firms were added to the sample. 68 firms completed the questionnaire. Table A-2 shows the completion rate calculation.

**Table A-2: 2006 Employer Survey Completion Rate Calculation**

| | From 2003 Sample | New Employers | Total |
|---|---|---|---|
| Completions | 418 | 68 | 486 |
| Refusals | 34 | 13 | 47 |
| Unresolved Appointments | 36 | 25 | 61 |
| Unreachable | 17 | 29 | 38 |
| Repeats | 2 | 4 | 6 |
| Known Out of Business | 13 | 11 | 24 |
| Completion rate | 85% | 64% | 81% |

Statistical weights for the 2006 and 2003 Montana Employer Survey were constructed to adjust for the fact that not all of the firms were selected with the same probability. Weights were used on comparisons for overall sample results, but not used when analyzing individual strata by firm size and other characteristics.

# REFERENCES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