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insight into action*

# HSA Research

***Prepared for NFIB and the NFIB Research  
Foundation***

***March 2007***

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## Executive Summary

- **More than 43% of employers are knowledgeable about HSAs.** Almost 11% of employers indicate they have a thorough understanding of HSAs and 32% indicate they have a good, basic understanding of HSAs. Knowledge of HSAs is highest among the largest employers surveyed (50 to 249 employees) and among employers in the Midwest region. NFIB members are significantly more likely to be familiar with HSAs than are non-members.
- **HSAs already surpassed HRAs among small employers.** Eleven percent of small employers surveyed said they currently offer an HSA to their employees, compared to only 7% who offer an HRA. Again, the greater the number of employees the greater the likelihood that the firm already offers an HSA, HRA or both.
- **Brokers are allies in expansion of HSAs.** HSA penetration is the greatest in the Midwest region, where brokers and agents appear to have made a more concerted effort to disseminate information about HSAs. Leveraging these professional contacts with small employers and their desire to provide cost cutting solutions to their clients will be an effective strategy to increase HSA penetration.
- **Larger firms, Skeptics and Benefits Specialists are the best candidates for HSAs.** The Skeptics and Benefits Specialists, two market segments identified based on attitudes and product preferences (see following pages for descriptions), are much more likely to prefer an HSA plan over more traditional health insurance plans. Organizations with 50 to 249 are only slightly more interested in HSAs than are smaller firms, but they already have a greater awareness and knowledge concerning HSAs, which should make it easier to introduce these plans.
- **Bias against HSAs among smaller firms.** Many smaller firms who said they are unlikely to offer an HSA cited their firm's size as the main reason for not doing so. These smaller firms are less knowledgeable about HSAs, so there may be an inherent bias that leads them to believe these spending accounts are not for them, when they were actually designed with these companies in mind.
- **Smaller businesses are significantly less likely to take action to control health insurance premiums.** They offer fewer benefits (other than health insurance) and seem to place less importance on reducing health insurance costs relative to the other demand the business places on them. The Northeast region, and larger firms in general, are more forward thinking in their willingness to modify their health plans in order to control rising premiums.
- **Businesses who do not offer insurance see little value in coverage.** These businesses are more apt to be small and have young, healthy employees. Given the funds, decision makers would rather put money towards increased salaries than offering health insurance. However, over 20% of the uninsured would prefer an HSA if they decided to offer health insurance.

# Executive Summary

- **Monthly premium, deductible, and Rx drug coverage are the most important attributes.** Organizations in the West region place more importance on premium than any other group. Smaller firms place a great deal of importance on financial considerations as they are more prone to paying 100% of the premium for employee coverage. The specific type of prescription coverage is not critical to most employers, but providing some form of drug coverage is imperative.

Six distinct market segments were identified based on preferences and attitudes towards health insurance:

- **Business Centrics** -- This group treats health insurance as just another business decision. They know it is necessary to attract and retain employees, but don't want to spend a lot for coverage. They look for the best value, a balanced set of benefits at a good price. They focus on low out-of-pocket maximum limits, low coinsurance levels and good prescription coverage more than anything else. Provider networks are also very important to them. They are the most likely to already offer an HRA, probably because the employer retains ownership of the account if the employee leaves. They also have a lot of interest in HSAs.
- **Skeptics** -- This group is very price sensitive. Even though they pay the lowest premiums of any segment, they are dissatisfied with their current coverage and most likely to switch plans. They believe that cost is the only thing that differentiates major health insurance companies. No specific benefit is important to them other than monthly premium. They are not very interested in HSAs and HRAs because of the funding requirements. They are the most willing to shift more costs to employees or to consider providing a benefit allowance and letting employees shop for their own benefits. They willing to drop health insurance coverage altogether, if needed.
- **Benefits Specialists** -- This group considers itself well informed on health insurance issues, but they still rely on brokers or agents to help make the health insurance selection. This group is the least price sensitive and is willing to consider High Deductible Health Plans. They have the greatest interest in spending accounts with many of them already offering an HSA or likely to do so in the next two years. They are very likely to use technology to administer benefits and add or enhance wellness programs. However, when faced with the realities of higher costs, they are willing to consider an increase in employees' out-of-pocket costs by increasing deductibles and the amount employees pay for prescription coverage. This group has the highest paid workforce, with many employers in the professional services and financial services industries.

# Executive Summary

Six distinct market segments were identified based on preferences and attitudes towards health insurance (continued):

- **Employee Centrics** -- This group is unwilling to pass on higher costs to their employees. Their goal is to maximize employee choices of health insurance options to best meet their needs while trying to minimize employees out-of-pocket costs. They do not wish to use cost control measures like higher deductibles or higher copays to reduce health insurance premiums. They are very insensitive to premium increases, preferring to focus on preserving low copays for doctor office visits and prescription drugs. They strongly dislike HRA and HSA plans, preferring to offer no coverage if these are the only plan types available to them. They are more likely than any other segment to offer an HMO or POS plan and are very satisfied with their current coverage.
- **Traditionalists** -- This group places the greatest importance on low deductible health plans. They are willing to consider an HRA or HSA plan, but they are not as familiar with them as some segments. They place more importance on having a large provider network than any other segment. These employers are the most likely to pay 100% of their employees' monthly premium. They are most likely to be found among larger firms (50 to 249 employees) in service industries, particularly in the Northeast region. They generally fall in the middle between the other segments on most every survey item. They are not trendsetters, but are willing to consider any cost control measures necessary to slow down the rapid increase in health care costs. They seem to balance the perspective of the employer and employees when considering health insurance alternatives.
- **Uninsured** -- This group is comprised entirely of those organizations that do not currently offer health insurance to their employees. Since those who do not currently provide coverage could not answer many of the survey questions related to current coverage, these organizations could not be included in the market segmentation modeling process without severely limiting the variables considered for segmentation. Therefore, they were assigned to their own segment and then compared to the other groups derived from the market segmentation analysis. Almost two-thirds of the uninsured are the smallest firms, with only 5 to 9 employees, more females and younger workers than any other segment. They do not place a strong emphasis on any specific benefits offered by health insurance plans, but are fairly price sensitive. They are very unlikely to offer any kind of extra benefits like dental or disability insurance. Only 58% of them provide paid vacations and 33% paid sick leave. They know almost nothing about HRA and HSA plans and do not seem very interested in offering one to their employees because they are still too expensive.



# Introduction

# Objectives

NFIB needs to better understand how its members and other small businesses feel about HSAs. DSS Research has developed the following objectives to be satisfied through this research.

- To provide information to the NFIB and other business trade organizations to help them help their members increase the number of insured small business employees with special reference Health Savings Accounts (HSAs).
- To draw attention to employee health insurance as a fundamental policy-related problem for small business owners.
- To demonstrate to Congress that business organizations are attempting to use coverage solutions that have thus far been enacted (i.e., HSAs) to the best of their advantage.

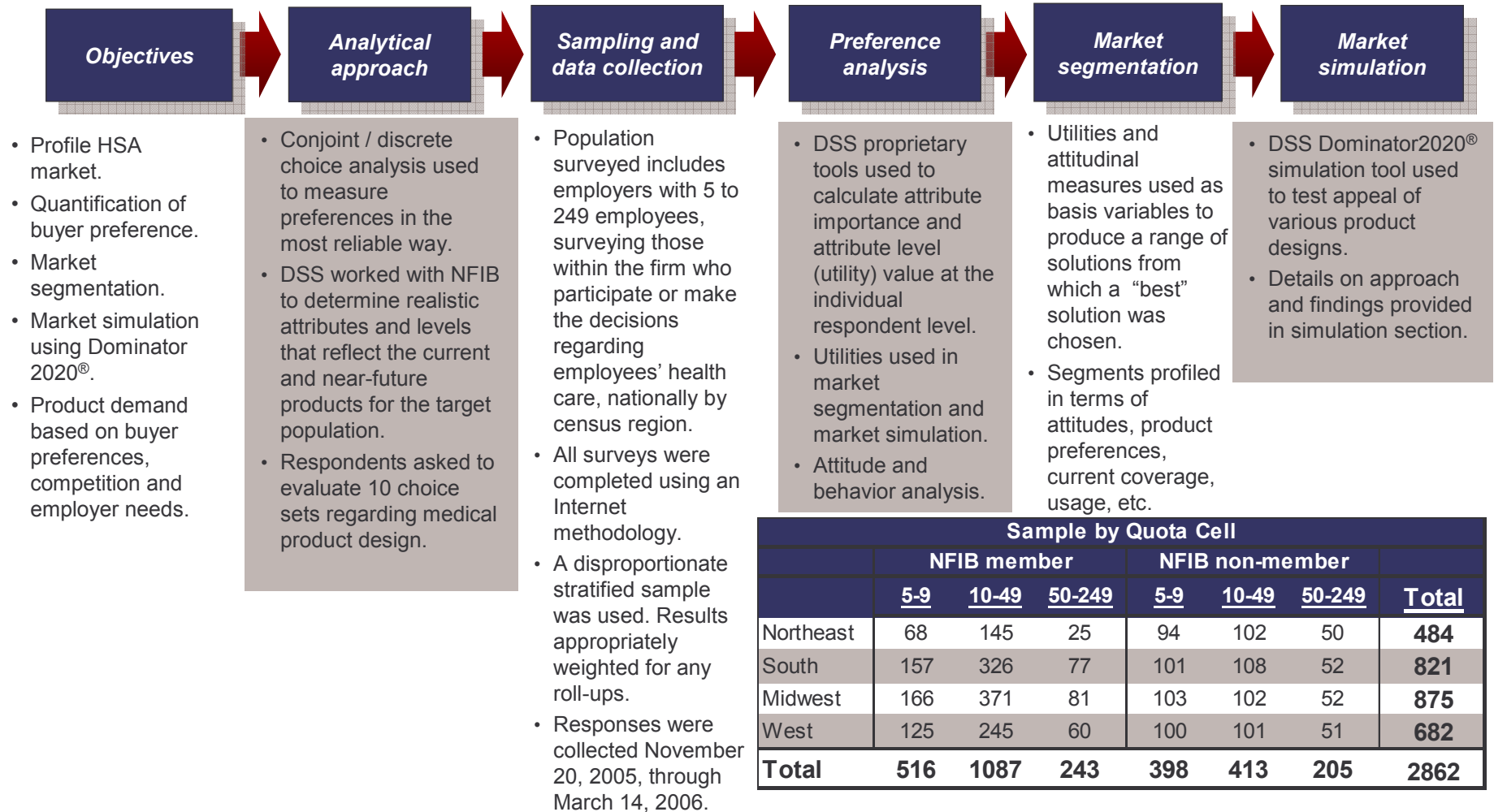
To accomplish these goals, DSS surveyed small business decision-makers to:

- Obtain background on awareness and attitudes toward HSAs.
- Assess current and likely near term market penetration of HSAs.

In addition, DSS used conjoint analysis in conjunction with powerful segmentation tools to:

- Identify demographic and attitudinal segments most likely to prefer HSAs and more traditional products.
- Determine more/less attractive features of HSA designs for different small business segments.
- Recommend strategies to promote HSAs.

# Methodology Summary





# Sample Profile

Compared to non-members, NFIB members are less likely to use the Internet for business purposes, somewhat more loyal to their health carriers, have a lower average wage structure, have fewer female employees, have fewer union employees, and are more likely to operate from a single location.

## Firmographic profiles of sample

Item	Total (A)	NFIB member (B)	NFIB non-member (C)	Northeast (D)	South (E)	Midwest (F)	West (G)	5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
Base:	(n=2,862)	(n=1,846)	(n=1,016)	(n=487)	(n=821)	(n=869)	(n=685)	(n=914)	(n=1,500)	(n=448)
<b>Firmographics</b>										
% using Internet for business purposes	55.6%	50.3%	65.4% B	57.6%	55.4%	56.9%	52.2%	47.8%	58.4% H	77.5% HI
Average # of years since switching primary carrier	3.6	3.7 C	3.4	3.4	3.8 D	3.6	3.6	3.8	3.5	3.5
% of employees earning >\$30k	55.5%	52.1%	61.7% B	60.1% E	50.1%	56.7% E	57.1% E	59.8% IJ	52.3%	53.0%
% of employees with children	33.5%	32.6%	35.3% B	33.3%	33.7%	33.5%	33.5%	31.9%	33.9%	40.5% HI
% female employees	34.7%	29.3%	44.6% B	38.1% EF	34.0%	33.1%	35.0%	35.3%	33.7%	39.5% HI
% of employees < 45 years old	54.5%	53.6%	56.0% B	52.9%	53.6%	54.5%	56.6% DE	53.5%	55.1%	55.5%
% of employees belonging to a union	2.9%	1.2%	6.0% B	6.2% EF G	0.7%	3.6% E	2.4% E	1.0%	3.5% H	7.6% HI
% of businesses with single location	76.2%	82.2% C	65.2%	75.1%	77.5%	77.2%	74.0%	86.5% IJ	72.3% J	42.2%

■ Highest across sub-groups (columns D/E/F/G, H/I/J).

A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter. For example, the "56.6% DE" in row 6 of column G (West) indicates that the percentage of employees who are younger than 45 is statistically higher (greater) than the corresponding percentages in the Northeast (column D – 52.9%) and the South (column E – 53.6%); however, this percentage is NOT significantly higher (greater) than the corresponding percentage in the Midwest (column F – 54.5%), since an F does not appear in column G.

**Awareness profiles of sample**

Just over 44 percent of NFIB members say they have a *thorough or good basic understanding* of HSAs compared to 35.6 percent for non-members. Almost 13 percent of members say they currently offer an HSA, 43.4 percent of members say they are *very or somewhat likely* to offer an HSA in the one to two years. Interest in HSAs is higher than interest in HRAs. There are no significant differences between members and non-members on these issues.

Item	Total (A)	NFIB member (B)	NFIB non-member (C)	Northeast (D)	South (E)	Midwest (F)	West (G)	5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
Base:	(n=2,862)	(n=1,846)	(n=1,016)	(n=487)	(n=821)	(n=869)	(n=685)	(n=914)	(n=1,500)	(n=448)
<b>HSA / HRA awareness</b>										
Familiarity with HSAs (% responding thorough/good basic understanding)	41.2%	44.4% c	35.6%	32.0%	36.4%	52.0% <sup>DE</sup> <sub>G</sub>	39.9%	38.1%	43.1% H	48.4% HI
% of businesses offering HSA	10.8%	11.2%	10.2%	5.7%	8.0%	17.0% <sup>DE</sup> <sub>G</sub>	9.9% D	10.1%	11.4%	12.5%
% likely to offer HSA (Very/somewhat likely)	43.8%	43.4%	44.6%	41.2%	41.5%	47.7% <sup>DE</sup>	44.0%	39.7%	45.5% H	54.4% HI
% of businesses offering HRA	7.2%	7.2%	7.2%	9.1% E	4.6%	8.2% E	7.7% E	4.5%	8.4% H	11.9% H
% likely to offer HRA (Very/somewhat likely)	21.2%	20.4%	22.5%	19.5%	21.7%	21.8%	21.1%	20.1%	21.4%	25.3%

■ Highest across sub-groups (columns D/E/F/G , H/I/J).

A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.



# Current Health Offerings

## Current benefits summary

NFIB members are most likely to offer a PPO, followed by an HMO, with these two plan types accounting for more than 80 percent of the market. PPOs are most popular in the South and Midwest while HMOs, relatively, are more popular in the Northeast and the West. There are minimal differences in the types of plans offered by number of employees.

Item	Total (A)	NFIB Member (B)	NFIB non-member (C)	Northwest (D)	South (E)	Midwest (F)	West (G)	5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
Base:	(n=2,862)	(n=1,846)	(n=1,016)	(n=487)	(n=821)	(n=869)	(n=685)	(n=914)	(n=1,500)	(n=448)
<b>Type of health plan(s) offered</b>										
PPO	59.0%	62.8% C	52.0%	32.5%	65.3% DG	70.9% DE G	56.6% D	60.8%	57.9%	55.0%
HMO	22.7%	19.3%	28.8% B	40.1% EF G	19.2% F	13.2%	25.6% EF	22.2%	22.6%	26.4%
POS	6.7%	5.8%	8.3% B	14.4% EF G	8.1% FG	2.8%	4.4%	5.1%	7.8% H	7.1%
Traditional/Indemnity	6.0%	6.1%	5.8%	7.4% E	3.8%	7.2% E	5.7%	6.0%	6.4%	5.4%
EPO	0.8%	0.6%	1.1%	1.4% F	0.5%	0.1%	1.6% F	0.9%	0.8%	1.4%
<b>Other benefits offered</b>										
Paid vacations	84.7%	87.3% C	79.8%	84.2%	84.0%	86.5%	83.3%	80.7%	87.2% H	90.6% HI
Pension plan	58.0%	58.9%	56.3%	65.6% EG	50.1%	66.2% EG	51.6%	46.3%	65.7% H	79.9% HI
Paid sick leave	54.9%	49.1%	65.6% B	59.8% F	55.7% F	50.1%	56.7% F	53.5%	54.3%	63.2% HI
Life insurance	49.5%	50.5%	47.7%	42.1%	53.0% DG	59.2% DE G	38.2%	36.3%	57.6% H	73.7% HI
Dental insurance	42.9%	38.9%	50.2% B	44.0%	40.6%	42.3%	45.6%	31.7%	48.5% H	70.8% HI
Short-term disability insurance	30.7%	29.6%	32.6%	36.3% EG	27.8% G	36.5% EG	22.9%	19.6%	36.5% H	56.7% HI
Flexible Spending Account (FSA)	11.6%	9.0%	16.3% B	11.1%	8.6%	14.9% E	11.4%	5.5%	12.9% H	34.4% HI
Pharmacy benefits purchased separately from health insurance	10.7%	8.5%	14.6% B	13.6% E	7.7%	11.9% E	10.6%	8.5%	10.5%	19.6% HI
Medical Savings Account (MSA)	3.6%	2.7%	5.2% B	4.1%	2.9%	4.6%	2.7%	3.6%	2.8%	7.8% HI
None of these	7.4%	6.7%	8.8%	4.3%	10.0% DF	6.6%	7.7% D	11.1% J	5.4% J	0.9%

■ Highest across sub-groups (columns D/E/F/G, H/I/J).

[Q10] What type of health plan {is your primary plan / does your business offer}? [Q1] Which of the following benefits does your business currently offer to its employees? A capital letter (ABC) on the tables above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

**Current coverage summary**

Only 16.9 percent of NFIB members offer more than one health insurance plan and the overwhelming majority (86.8 percent) purchase this coverage through a broker / agent. Non-members are more likely to offer multiple plans and are somewhat less likely to buy through a broker / agent. Compared to the other areas, firms in the Northeast are significantly more likely to offer multiple plans. As expected, the smaller the firm, the more likely it is to offer a single plan.

Item	Total (A)	NFIB Member (B)	NFIB non-member (C)		Northeast (D)	South (E)	Midwest (F)	West (G)		5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
Base:	(n=2,358)	(n=1,530)	(n=829)		(n=438)	(n=625)	(n=752)	(n=544)		(n=684)	(n=1,308)	(n=424)
% of businesses offering more than one insurance plan	21.2%	16.9%	29.2% <sup>B</sup>		31.9% <sup>EF G</sup>	17.7%	16.7%	22.9% <sup>EF</sup>		15.5%	22.2% <sup>H</sup>	39.4% <sup>HI</sup>
% purchasing plan from broker/agent	81.9%	86.8% <sup>C</sup>	73.0%		70.1%	82.5% <sup>D</sup>	87.6% <sup>DE G</sup>	82.9% <sup>D</sup>		80.4% <sup>J</sup>	84.1% <sup>HJ</sup>	75.0%
<b>Source of insurance</b>												
Obtain through employer	69.6%	69.9%	68.9%		75.0% <sup>EG</sup>	65.3%	72.5% <sup>EG</sup>	67.1%		61.1%	74.7% <sup>H</sup>	84.4% <sup>HI</sup>
Obtain through spouse's plan	13.2%	12.3%	14.7%		15.9%	13.2%	12.9%	11.6%		16.0% <sup>IJ</sup>	11.7% <sup>J</sup>	7.8%
Obtain through non-group plan	10.1%	11.4% <sup>C</sup>	7.7%		5.4%	11.5% <sup>D</sup>	9.5% <sup>D</sup>	12.4% <sup>D</sup>		12.8% <sup>IJ</sup>	8.3% <sup>J</sup>	4.0%
Obtain from other source	3.7%	3.4%	4.4%		2.4%	5.1% <sup>DF</sup>	2.4%	4.8% <sup>DF</sup>		5.4% <sup>IJ</sup>	2.7%	3.1%
Don't have coverage	3.4%	3.0%	4.3%		1.3%	4.9% <sup>DF</sup>	2.8%	4.1% <sup>D</sup>		4.8% <sup>IJ</sup>	2.7% <sup>J</sup>	0.7%
<b>% of employees covered</b>												
Average % employees covered by primary carrier	74.8%	72.5%	77.2% <sup>B</sup>		72.2%	72.2%	78.2% <sup>D</sup>	76.3%		82.0% <sup>IJ</sup>	71.2%	74.0%

■ Highest across sub-groups (columns D/E/F/G , H/I/J).

[Q8] Does your business offer more than one health insurance plan choice to its employees? [Q13] Did you purchase your {CARRIER} plan through a broker/agent or directly from the carrier? [Q6] which of the following statements best applies to you? [Q9b] What percentage of your full and part-time employees with health insurance is enrolled in the plan? A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

The Blues lead in all areas. Aetna is second in the Northeast, United is second in the South and Midwest and Kaiser is number two in the West. The Blues also lead across all company size segments with United in second place in the 5-9 and 10-49 employee segments and Aetna second in the 50-249 segment.

**Top 5 health carriers**

**Top 5 carriers by region**

**Northeast**

- BCBS (40.4%)
- Aetna (16.4%)
- Oxford (8.8%)
- Tufts (4.0%)
- Harvard Pilgrim (3.5%)

**South**

- BCBS (45.5%)
- United (14.4%)
- Aetna (5.8%)
- Humana (5.7%)
- Principal (3.6%)

**Midwest**

- BCBS (34.8%)
- United (11.2%)
- Medica (4.9%)
- Medical Mutual of Omaha (4.1%)
- Humana (3.4%)
- Principal (3.4%)

**West**

- BCBS (42.1%)
- Kaiser (10.8%)
- PacifiCare (6.7%)
- United (5.0%)
- Health Net (3.9%)

**Top 5 carriers by company size**

**5-9 Employees**

- BCBS (39.2%)
- United (9.2%)
- Aetna (5.6%)
- Humana (3.9%)
- Kaiser (2.8%)

**10-49 Employees**

- BCBS (41.5%)
- United (9.9%)
- Aetna (5.2%)
- Kaiser (2.8%)
- Humana (2.3%)

**50-249 Employees**

- BCBS (38.5%)
- Aetna (8.0%)
- United (5.7%)
- Kaiser (2.8%)
- Humana (2.4%)

[Q9a] What is the name of the company that covers the largest number of your employees?

## Health insurance premiums and employer contribution

The average monthly premium to cover employee-only is around \$300 for members and non-members, across regions and across number of employees segments. In terms of premium sharing, about 40 percent of employers pay all the employee-only premium and about 40 percent pay a certain percentage. On average, a premium increase in the 16-17 percent range will cause employers to consider changing carriers.

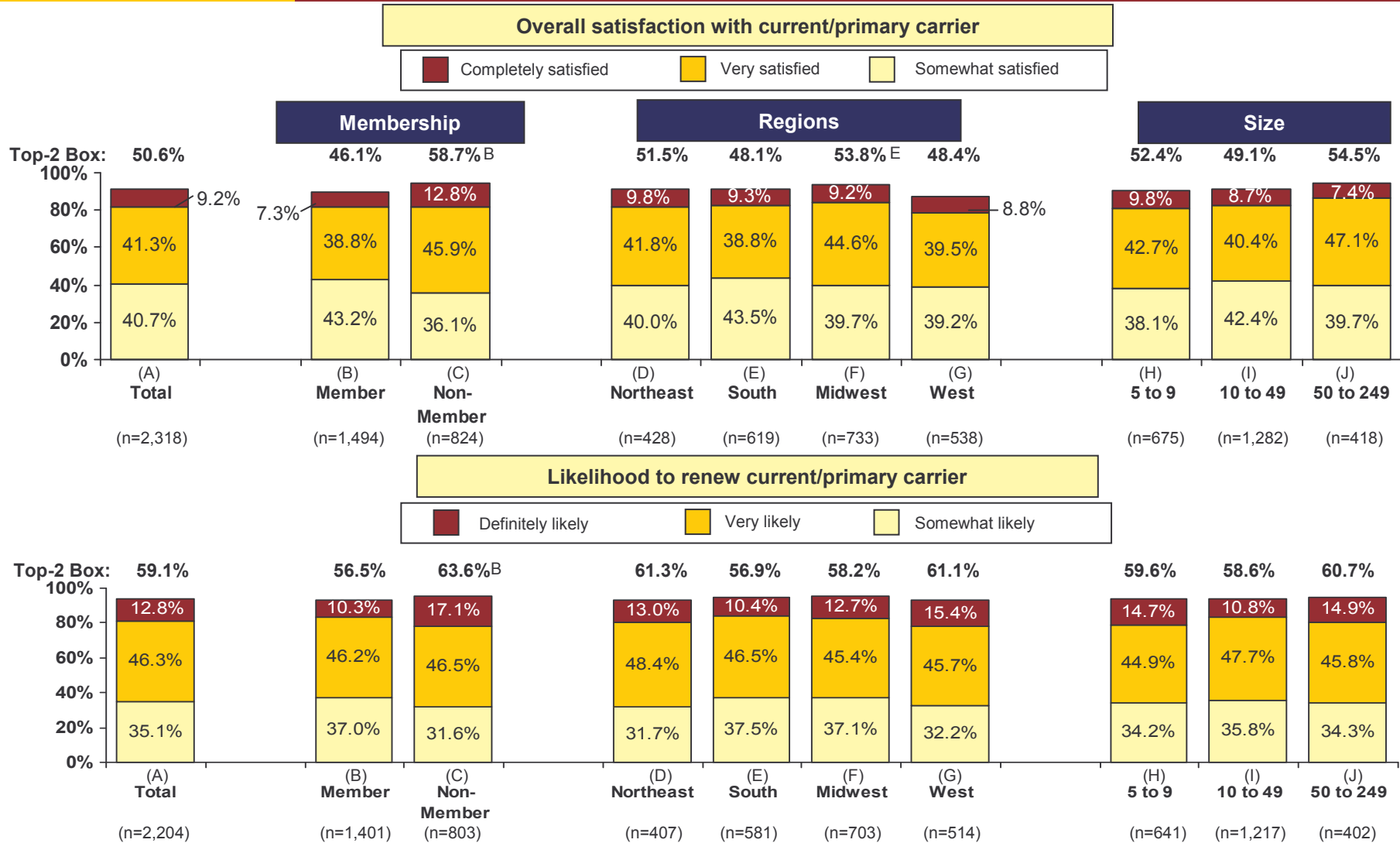
Item	Total (A)	NFIB Member (B)	NFIB non-member (C)	Northeast (D)	South (E)	Midwest (F)	West (G)	5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
Base:	(n=2,358)	(n=1,530)	(n=829)	(n=438)	(n=625)	(n=752)	(n=544)	(n=684)	(n=1,308)	(n=424)
Average monthly premium to cover a single employee	\$316	\$318	\$311	\$338 <sup>EF</sup> <sub>G</sub>	\$310	\$314	\$305	\$332 <sub>U</sub>	\$305	\$293
<b>Employer contribution to premium</b>										
Employer pays specified percentage	41.5%	42.0%	40.6%	46.1% <sub>G</sub>	40.5% <sub>G</sub>	44.8% <sub>G</sub>	34.4%	34.2%	46.3% <sub>H</sub>	49.3% <sub>H</sub>
Employer pays ALL	41.2%	40.8%	42.0%	36.9%	41.6%	38.1%	48.7% <sup>DE</sup> <sub>F</sub>	51.2% <sub>U</sub>	35.3% <sub>J</sub>	25.7%
Employer pays fixed dollar amount	14.8%	14.3%	15.7%	16.8%	15.4%	13.0%	14.9%	13.0%	14.8%	21.7% <sub>HI</sub>
Employer contribution varies by type of plan	2.0%	1.1%	3.6% <sub>B</sub>	2.6%	2.1%	1.6%	2.0%	0.7%	2.0% <sub>H</sub>	7.1% <sub>HI</sub>
Employer contribution based on employee's salary	1.5%	0.4%	3.5% <sub>B</sub>	2.6%	1.0%	1.1%	1.7%	1.3%	1.2%	3.8% <sub>HI</sub>
Average % increase in premium causing business to consider changing carriers	16.1%	15.5%	17.3% <sub>B</sub>	16.2%	16.3% <sub>G</sub>	16.5% <sub>G</sub>	15.3%	16.4%	15.8%	16.8% <sub>I</sub>

■ Highest across sub-groups (columns D/E/F/G , H/I/J).

[Q16] Thinking about your primary plan/current plan, what is the total monthly premium to cover a single employee? [Q17] How does your business determine the amount of money your employees contribute to their health insurance premium? [Q27] What percentage increase in monthly premium would cause you to seriously consider changing your business's health insurance carrier? A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

**Overall satisfaction and likelihood to renew**

NFIB members are significantly less satisfied and less loyal in regard to their health carriers. By region, satisfaction levels are highest in the Midwest and lowest in the Northeast. There are no significant differences in satisfaction by firm size.



[Q11] Overall, how satisfied are you with {CARRIER}? [Q12] On your next renewal, how likely are you to continue offering {CARRIER}? A capital letter (ABC) on the graphs above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.



# Attitudes and Strategies

**Primary reason for offering benefits**

The top two reasons for offering health benefits across the board are to *attract and retain the most qualified employees* and to *provide affordable health coverage to employees*. Nearly 64 percent of NFIB members and nearly 58 percent of non-members gave one of these two reasons.

Item	Total (A)	NFIB member (B)	NFIB non-member (C)	Northeast (D)	South (E)	Midwest (F)	West (G)	5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
Base:	(n=2,358)	(n=1,530)	(n=829)	(n=438)	(n=625)	(n=752)	(n=544)	(n=684)	(n=1,308)	(n=424)
Attract and retain the most qualified employees	37.1%	39.3% C	33.0%	32.0%	35.6%	41.9% <sup>DE</sup> <sub>G</sub>	36.2%	34.8%	39.3% <sup>H</sup>	37.5%
Provide affordable health coverage to employees	24.6%	24.5%	24.7%	24.5%	27.0%	22.6%	24.6%	23.4%	25.3%	24.8%
Offering benefits is the right thing to do	18.1%	17.5%	19.3%	21.7% <sup>E</sup>	16.3%	17.9%	17.7%	20.2% <sup>J</sup>	17.6%	14.9%
Protect employees against catastrophic loss	9.3%	10.6% C	7.1%	8.6%	10.6% <sup>F</sup>	7.4%	11.2% <sup>F</sup>	11.0% <sup>J</sup>	8.4% <sup>J</sup>	5.7%
Offering benefits is an industry standard	5.8%	4.4%	8.4% <sup>B</sup>	6.9%	4.1%	6.5%	5.9%	5.8%	5.0%	9.0% <sup>I</sup>
Maintain or increase employee productivity	2.0%	1.2%	3.6% <sup>B</sup>	2.9%	2.8% <sup>G</sup>	1.7%	1.1%	1.8%	1.9%	2.8%
Improve employees' health	1.8%	1.3%	2.6%	1.3%	2.5%	1.5%	1.8%	1.6%	1.6%	3.3%

■ Highest across sub-groups (columns D/E/F/G , H/I/J).

[Q24] Which statement best describes your business's primary reason for offering health benefits to employees? A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

Over half of NFIB members and non-members expressed high levels of agreement with four of the statements tested: *selecting a health plan has become more difficult, having specific doctors in the network is very important, having specific hospitals in the network is very important, and my goal is to minimize employee out-of-pocket cost.*

## Benefits attitudes

### Top-2 box scores shown

(on a 5 point agreement scale where 5= Strongly agree and 1= Strongly disagree)

Statement	Total (A)	NFIB member (B)	NFIB non- member (C)	Northeast (D)	South (E)	Midwest (F)	West (G)	5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
Base:	(n=2,358)	(n=1,530)	(n=829)	(n=438)	(n=625)	(n=752)	(n=544)	(n=684)	(n=1,308)	(n=424)
i. The process of selecting a health plan for my business has become more difficult compared to previous years	76.5%	81.6% c	66.8%	69.9%	79.4% D	77.7% D	76.9% D	78.5% J	76.4% J	70.0%
f. Having specific doctors in the network is very important	73.3%	75.8% c	68.8%	72.0%	77.0% G	75.8% G	66.8%	75.9% J	72.9% J	66.3%
e. Having specific hospitals in the network is very important	68.2%	71.6% c	61.8%	60.8%	71.2% DG	74.8% DG	61.3%	68.3%	68.7%	66.7%
b. My business's goal is to minimize employees' out-of-pocket-costs	53.4%	53.6%	53.0%	49.5%	59.7% <sup>DF</sup> <sub>G</sub>	52.5%	50.3%	55.2% J	53.0%	47.7%
a. My business tries to offer maximum choice to employees based on their needs	46.1%	45.2%	47.8%	44.8%	46.3%	45.6%	47.6%	44.3%	47.1%	48.4%
c. I keep myself well-informed on health benefits issues by reading a wide range of materials	36.3%	36.3%	36.2%	35.7%	36.7%	39.2% G	32.3%	35.5%	35.2%	46.2% HI
h. My business does not have clear-cut procedures for how to evaluate and select health benefits for its employees	30.2%	30.0%	30.4%	27.6%	31.7%	29.3%	31.5%	35.1% IJ	26.9%	24.0%
d. I rely upon a broker / agent to make my health insurance decisions	29.1%	28.8%	29.7%	22.5%	32.3% D	28.9% D	31.0% D	32.0% IJ	27.5%	25.5%
g. The only difference between major health insurance companies is price	28.7%	29.7%	26.8%	29.7%	29.0%	27.4%	29.1%	32.5% IJ	26.6%	22.0%

■ Highest across sub-groups (columns D/E/F/G, H/I/J).

[Q25] Using a scale from one to five, where 1 is 'Strongly disagree' and 5 is 'Strongly agree,' please indicate your level of agreement with the following statements. A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

Four cost control items were mentioned by more than 20 percent of members and non-members: *increasing plan deductibles, offering high deductible plans, increasing out-of-pocket costs, and shifting more premium to employees.* Larger firms are more likely to use most of these strategies in comparison to firms with 5-9 employees.

## Ways to control costs

### Top-2 box scores shown

(on a 6 point agreement scale where 6= Extremely likely/Already doing, 5= Very likely and 4=Somewhat likely)

Statement	Total (A)	NFIB Member (B)	NFIB non- member (C)	Northeast (D)	South (E)	Midwest (F)	West (G)	5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
Base:	(n=2,358)	(n=1,530)	(n=829)	(n=438)	(n=625)	(n=752)	(n=544)	(n=684)	(n=1,308)	(n=424)
h. Increase plan deductibles	29.0%	32.6% C	22.3%	30.0% G	29.1% G	33.0% G	22.5%	24.3%	32.1% H	30.0% H
f. Offer employees a high deductible plan with a Health Savings Account (HSA) where all unused funds are rolled over at the end of the year	25.0%	26.6% C	21.9%	23.0%	20.8%	30.9% <sup>DE</sup> <sub>G</sub>	23.3%	23.5%	24.9%	28.1%
d. Increase out-of-pocket costs for employees	24.3%	26.6% C	20.0%	28.0% G	24.6%	24.6%	20.4%	19.6%	26.8% H	26.9% H
a. Shift more costs to employees through increased employee contributions	24.2%	25.8% C	21.1%	26.2% G	23.2%	26.7% G	20.1%	18.4%	27.9% H	27.6% H
i. Increase the amount employees pay for prescription drugs	21.0%	22.2% C	18.6%	27.2% <sup>EF</sup> <sub>G</sub>	20.4%	21.0% G	16.4%	17.7%	22.2% H	24.3% H
b. Use technology to administer benefits and distribute healthcare information	18.5%	14.8%	25.2% B	21.3%	18.3%	16.4%	19.2%	14.8%	19.3% H	28.8% HI
c. Add or enhance health / wellness program	17.4%	13.5%	24.4% B	20.9%	17.5%	16.0%	16.2%	13.7%	18.3% H	26.4% HI
e. Provide a benefit allowance for health insurance so that employees shop on their own for health benefits with little involvement from your business	10.9%	9.7%	13.0% B	13.9% E	9.0%	10.3%	11.5%	8.8%	11.6% H	13.0% H
g. Drop health care coverage altogether	4.7%	4.4%	5.3%	7.8% <sup>EF</sup> <sub>G</sub>	3.7%	4.2%	4.2%	4.1%	4.8%	5.0%

■ Highest across sub-groups (columns D/E/F/G , H/I/J).

[Q26] Thinking about ways to control rising health insurance premiums, are you 'Very likely,' 'Somewhat likely,' 'Neither likely nor unlikely,' 'Somewhat unlikely' or 'Very unlikely' to implement the following methods to control health insurance premiums within the **next two years**? If you are already implementing a particular method, please mark "Extremely Likely / Already Doing." A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.



## Those Who Don't Offer Health Benefits

## Reasons for not offering insurance

Overall, nearly 18 percent of those surveyed said they do not offer health insurance. Affordability is the main reason given for not offering health coverage with 90.3 percent of the NFIB members giving this reason compared to 55.4 percent of non-members. Other reasons given frequently include: *employees can't afford their share of the cost, employees get coverage elsewhere, and employees prefer wages and / or other benefits.*

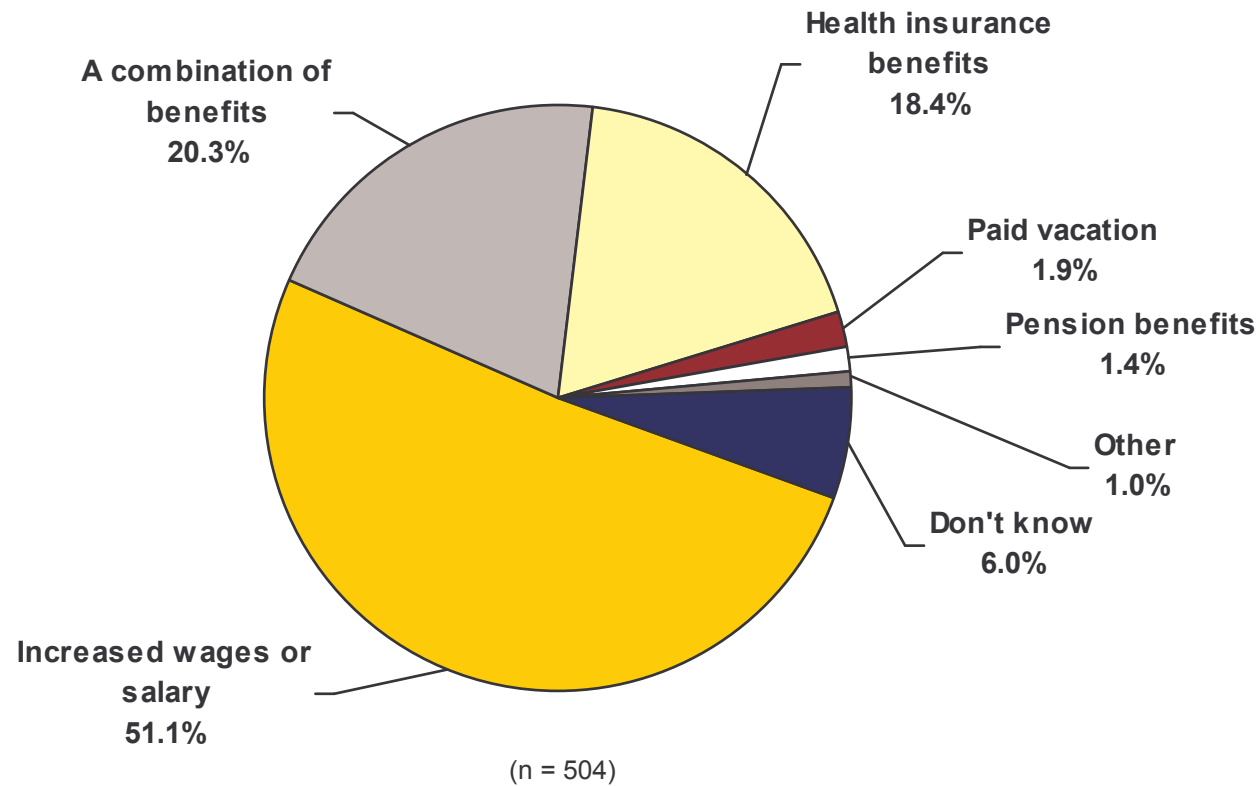
Item	Total (A)	NFIB Member (B)	NFIB non-member (C)	Northeast (D)	South (E)	Midwest (F)	West (G)	5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
	(n=2,862)	(n=1,846)	(n=1,016)	(n=487)	(n=821)	(n=869)	(n=685)	(n=914)	(n=1,500)	(n=448)
% of businesses not offering insurance	17.6%	17.1%	18.4%	10.1%	23.9% <sup>DF</sup>	13.5%	20.5% <sup>DF</sup>	25.2% <sup>IJ</sup>	12.8% <sup>J</sup>	5.4%
% of businesses that offered insurance in the past	25.8%	30.2% <sup>C</sup>	18.4%	28.1%	20.9%	27.7%	30.4%	23.6%	28.6%	37.5%
Average # yrs since last offered insurance	5.7	6.0	4.9	5.1	5.9	6.2	5.3	5.8	5.2	7.7 <sup>I</sup>
<b>Reasons for not offering insurance</b>										
Can't afford cost of providing coverage	77.3%	90.3% <sup>C</sup>	55.4%	66.0%	78.7%	81.2%	76.2%	74.3%	78.1%	83.3%
Employees can't afford/won't pay their share of the cost	35.1%	43.8% <sup>C</sup>	20.3%	17.2%	39.6% <sup>D</sup>	33.9% <sup>D</sup>	35.9% <sup>D</sup>	29.6%	43.8% <sup>H</sup>	50.0%
Employees have coverage elsewhere	28.8%	28.6%	29.1%	31.6%	28.0%	29.2%	28.5%	28.7%	30.7%	37.5%
Employees prefer wages and/or other benefits	25.3%	20.7%	33.0% <sup>B</sup>	31.9%	22.6%	25.6%	26.4%	24.3%	28.6%	45.8% <sup>H</sup>
Owner has coverage elsewhere	22.6%	27.8% <sup>C</sup>	14.0%	29.9%	21.5%	25.4%	19.4%	23.5%	21.4%	16.7%
Revenue too uncertain to commit to a plan	20.9%	22.8%	17.6%	20.0%	20.9%	18.2%	23.3%	20.4%	23.4%	16.7%
Health insurance is poor value relative to the amount of coverage provided	16.1%	19.3% <sup>C</sup>	10.6%	16.0%	15.7%	13.2%	19.0%	16.5% <sup>J</sup>	15.1% <sup>J</sup>	4.2%
Large portion of employees are part-time/seasonal or turnover is too high	14.9%	14.3%	16.0%	18.7%	12.4%	19.9%	13.1%	12.6%	18.8%	33.3% <sup>H</sup>
Setting up and funding a plan is too complicated and time consuming	14.3%	13.1%	16.3%	7.3%	13.7%	15.7%	16.5%	13.5%	15.6%	16.7%
Not needed to retain good employees	5.9%	4.2%	8.8%	9.0%	7.7% <sup>G</sup>	6.8%	1.5%	6.5%	6.3%	8.3%
Most employees are young and/or in good health	5.6%	5.2%	6.5%	6.2%	3.8%	6.9%	7.0%	5.7% <sup>J</sup>	6.8% <sup>J</sup>	0.0%

■ Highest across sub-groups (columns D/E/F/G, H/I/J).

[S01] Does your business currently offer health insurance to its employees? [Q2] Why does your business not offer health insurance? [Q3] Has your business ever offered health insurance? [Q4] When did your business last offer health insurance? A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

**Additional \$1  
compensation  
strategy**

Over half of those who do not offer insurance say they would be most likely to give a \$1 per hour increase in the form of *increased wages* compared to 18.4 percent who said they would give this increase in the form of *health insurance benefits* and 20.3 percent who said they would give the increase in the form of a *combination of benefits*.



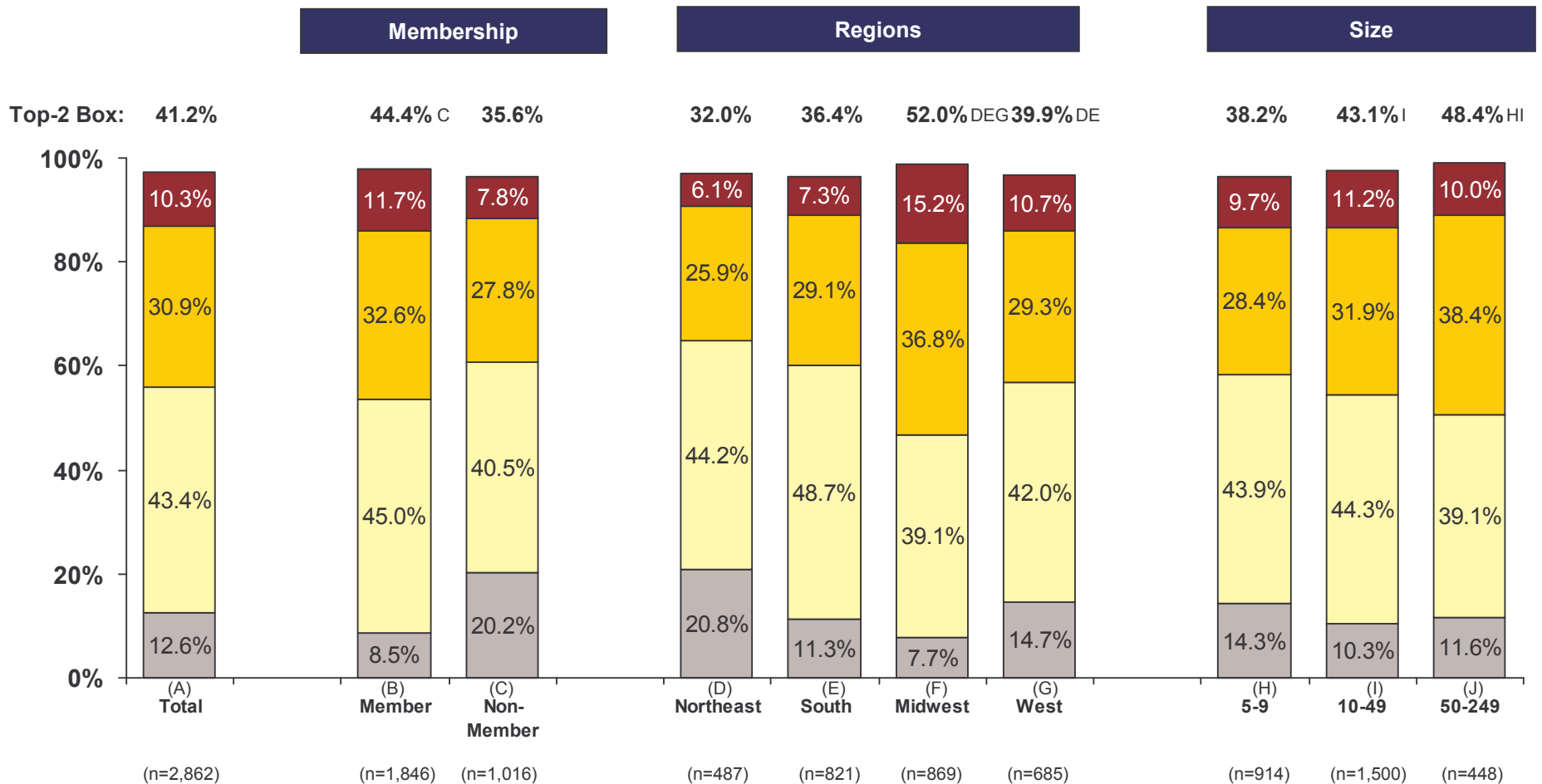
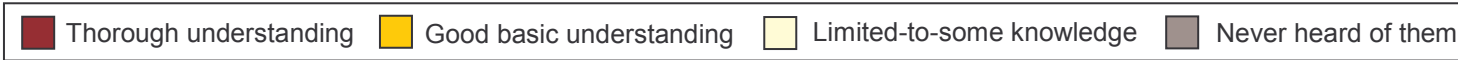
[Q5] If you wanted to give your employees the equivalent of an additional \$1.00 per hour, would you be most likely to give it to them in the form of..." (Asked of businesses that currently do not offer health insurance benefits)



# HSA Familiarity and Likelihood to Offer

Over 44 percent of members and nearly 36 percent of non-members say they have a *thorough or good basic understanding of HSAs*. This figure is highest in the Midwest and lowest in the Northeast. The level of understanding goes up consistently with a firm's number of employees.

## Familiarity with HSA



[Q18] Prior to this conversation, how familiar were you with the new tax exempt Health Savings Accounts, also known as "HSAs"? A capital letter (ABC) on the graph above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

## Broker presentation of HSA information

Nearly 60 percent of members report that their broker presented an HSA option to them. Of these, two-thirds report that their broker provided detailed information about the HSA and over 59 percent said their broker provided information about cost savings associated with HSAs. Presentation levels are highest in the Midwest and for firms with 50-249 employees.

Item	Total (A)	NFB Member (B)	NFB non-member (C)	Northeast (D)	South (E)	Midwest (F)	West (G)	5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
Base:	(n=2,862)	(n=1,846)	(n=1,016)	(n=487)	(n=821)	(n=869)	(n=685)	(n=914)	(n=1,500)	(n=448)
<b>Broker presentation of HSA</b>										
% of businesses presented with HSA option by broker	56.8%	59.0% <sup>c</sup>	51.9%	48.4%	45.5%	70.2% <sup>DE</sup> <sub>G</sub>	55.8% <sup>E</sup>	50.1%	60.5% <sup>H</sup>	64.3% <sup>H</sup>
<b>Content of Broker Presentation (if made)</b>										
Broker provided detailed information about HSA	66.4%	66.7%	65.4%	68.5% <sup>G</sup>	62.5%	72.3% <sup>EG</sup>	58.0%	62.6%	66.9%	73.6% <sup>H</sup>
Broker provided information about cost savings to you from HSAs	57.9%	59.3%	54.0%	45.9%	54.3%	64.3% <sup>DE</sup>	56.2%	59.3%	57.4%	58.5%
Broker described impact of HSA options on employees	56.7%	58.2%	52.7%	45.6%	50.8%	64.1% <sup>DE</sup> <sub>G</sub>	54.8%	54.1%	58.3%	59.6%
Broker recommended option with HSA solution	48.5%	45.6%	55.8% <sup>B</sup>	47.0%	43.2%	53.0% <sup>E</sup>	45.9%	47.6%	48.8%	47.2%
Broker discussed various levels of savings account funding	42.5%	42.8%	41.5%	33.5%	42.4%	45.8% <sup>D</sup>	41.6%	41.5%	43.1%	42.5%

■ Highest across sub-groups (columns D/E/F/G , H/I/J).

[Q14] Did your broker present you with Health Savings Account (HSA) options at the time of your last renewal? [Q15] Which of the following did your broker/agent do at the time of your last renewal? [Q20c] What, if anything, do you find most attractive about HSA benefit options? A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

## Attractive aspects of HSA

Tax savings, lower cost, the ability to accumulate funds, and employee management of funds are seen as the most attractive aspects of HSAs.

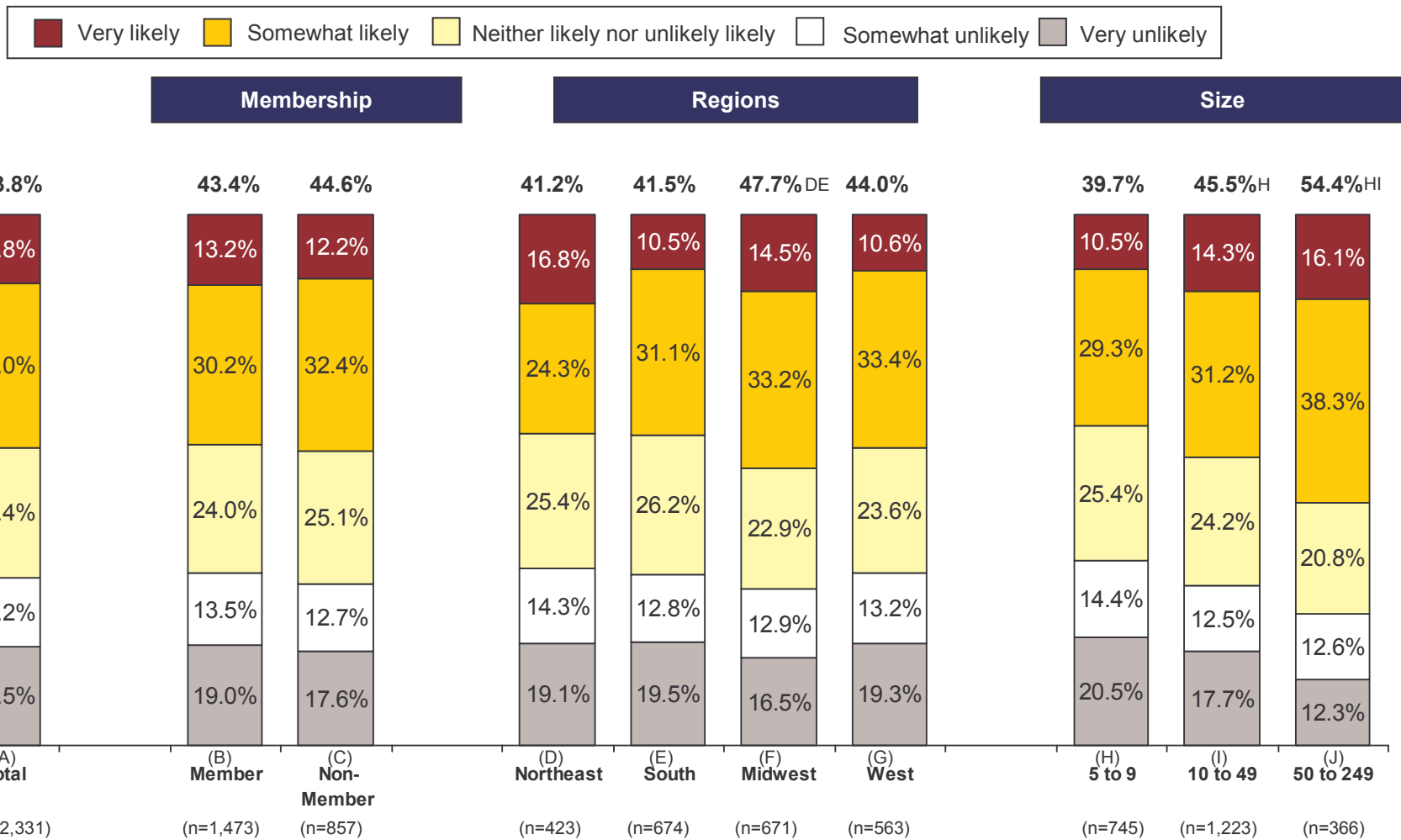
Item	Total (A)	NFIB Member (B)	NFIB non-member (C)	Northeast (D)	South (E)	Midwest (F)	West (G)	5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
Base:	(n=2,862)	(n=1,846)	(n=1,016)	(n=487)	(n=821)	(n=869)	(n=685)	(n=914)	(n=1,500)	(n=448)
<b>Most attractive aspects of HSA</b>										
Tax savings/pre-tax savings	26.8%	24.6%	29.6% B	28.2%	32.0% FG	23.6%	23.7%	28.0% J	27.3% J	18.7%
Lower cost/premiums/saves money	22.0%	29.0% c	12.9%	17.6%	19.9%	29.9% DE G	18.7%	20.4%	24.3%	20.3%
Accumulate funds/carries over/savings account	17.8%	19.9% c	14.9%	13.1%	18.0%	20.4% D	18.0%	15.1%	19.1%	22.4% H
Employee responsibility/money belongs to/managed by/stays with employees	15.3%	18.5% c	11.0%	14.2%	11.4%	19.3% E	15.5%	13.8%	16.1%	23.7% HI
Helps fund/pay for uncovered medical expenses	8.1%	7.8%	8.5%	5.9%	10.8% D	7.5%	7.5%	6.9%	8.6%	8.7%
Flexibility	4.5%	3.6%	5.7%	4.9%	4.3%	4.4%	4.7%	5.2%	3.9%	4.1%

■ Highest across sub-groups (columns D/E/F/G , H/I/J).

[Q20c] What, if anything, do you find most attractive about HSA benefit options? A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

## Likelihood to offer HSA

Over 40 percent of those who do not currently offer an HSA say they are *very or somewhat likely* to offer HSA plans in the next 1-2 years. The actual number of small employers expected to offer HSA plans in the near future will range between 21% and 32% based on intent translation modeling. The more pessimistic model assumes only 50% of those who said they are very likely to offer an HSA and 30% of those who said they are somewhat likely to offer will actually do so. The optimistic model assumes 90% of the very likely, 50% of the somewhat likely and 20% of the neutrals will ultimately offer an HSA.



[Q20a] How likely is your business to consider offering a Health Savings Account type of health plan in the next 1 to 2 years? A capital letter (ABC) on the graph above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

20 percent or more of members and non-members who say they are unlikely to offer HSAs give the following as their reasons: *business is too small, HSAs are too expensive, they are satisfied with what they have, and HSAs are too confusing.*

**Reasons unlikely to offer HSA**

Item	Total (A)	NFB Member (B)	NFB non- member (C)					5-9 Employees (H)	10-49 Employees (I)	50-249 Employees (J)
				Northeast (D)	South (E)	Midwest (F)	West (G)			
Base:	(n=739)	(n=480)	(n=260)	(n=141)	(n=218)	(n=197)	(n=183)	(n=260)	(n=370)	(n=91)
Business is too small	38.8%	33.1%	49.3% B	36.5%	40.4%	41.3%	36.0%	51.2% U	30.0% J	15.4%
Too expensive	27.7%	31.3% C	21.1%	19.9%	30.7% D	31.5% D	26.2%	28.5%	27.3%	23.1%
Satisfied with what we have	27.1%	23.3%	34.1% B	31.9%	23.3%	29.8%	24.8%	25.0%	29.7%	31.9%
Too confusing	20.4%	20.8%	19.7%	20.5%	16.9%	23.4%	21.3%	18.5%	23.5%	16.5%
Does not offer any additional benefits over current coverage	17.9%	17.6%	18.3%	20.4%	14.3%	17.2%	20.9%	19.6%	17.3%	14.3%
Not enough employees eligible for benefits	15.0%	13.4%	17.8%	18.1%	14.8%	14.6%	13.2%	16.2%	15.9%	9.9%
Don't have enough information	14.6%	14.7%	14.3%	15.5%	15.9%	11.2%	15.8%	15.4%	14.3%	15.4%
Would have to switch plans/carriers	7.0%	6.7%	7.4%	7.7%	6.3%	8.3%	5.7%	6.9%	6.8%	9.9%
No interest in HSA/doesn't suit our needs	5.0%	7.4% C	0.6%	4.6%	5.5%	2.2%	7.9% F	4.2%	5.1%	7.7%
Current carrier does not offer an HSA option	2.3%	2.6%	1.7%	0.6%	2.5%	1.2%	4.3% D	2.7% J	2.2% J	0.0%
Not enough coverage/ too much financial liability	1.5%	2.2% C	0.0%	0.6%	1.3%	2.5%	1.2%	1.2%	1.6%	2.2%

■ Highest across sub-groups (columns D/E/F/G , H/I/J).

[Q20b] Why is your business unlikely to offer a HSA in the next two years? A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.

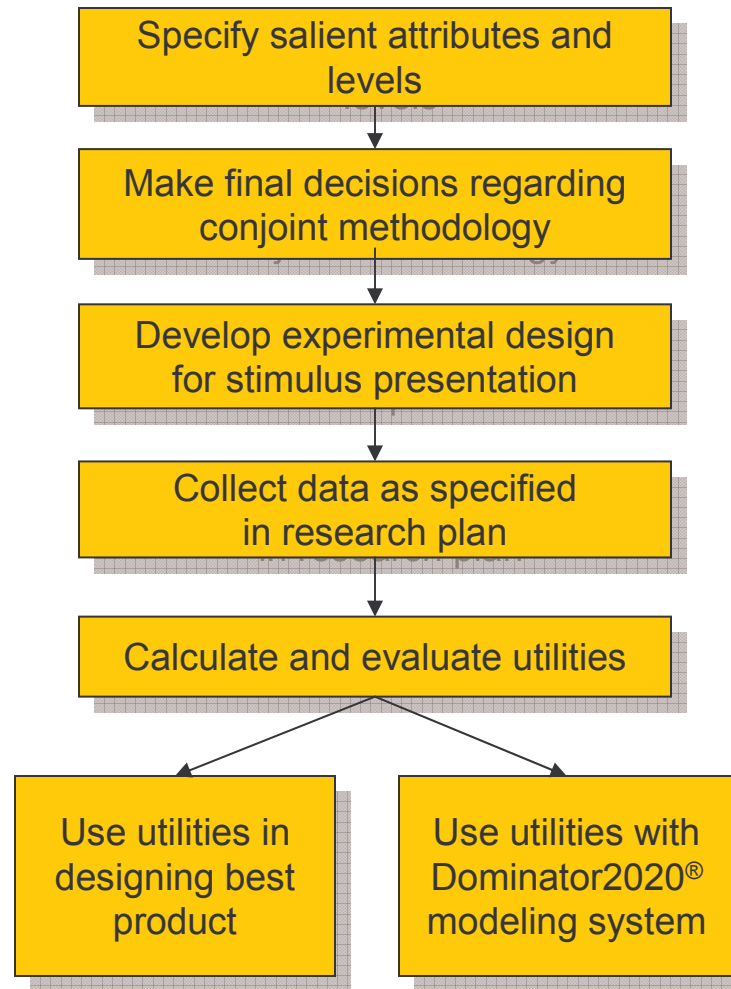


# Plan Preference Estimates

# Preference Modeling

Conjoint / discrete  
choice analysis used

The basic process we used is outlined below.



# Attributes and Levels for Discrete Choice Exercise

Conjoint / discrete choice analysis used

Attributes	Levels
Monthly premium (employee only)	[\$125 per month], [\$150 per month], [\$200 per month], [\$250 per month], [\$300 per month], [\$350 per month]
Spending account	[Health Savings Account (HSA)], [Health Reimbursement Arrangement (HRA)], [Not available]
Funding account	[Employer MUST fund 50% of in-netw ork deductible], [Employer MUST fund 30% of in-netw ork deductible], [Employer MUST fund 15% of in-netw ork deductible], [Employer is not required to provide any funds for account]
Deductible (employee only)	[\$0 In-netw ork / \$500 Out-of-Netw ork], [\$500 In-netw ork / \$1,000 Out-of-Netw ork], [\$1,000 In-netw ork / \$2,000 Out-of-Netw ork], [\$1,500 In-netw ork / \$3,000 Out-of-Netw ork], [\$2,500 In-netw ork / \$5,000 Out-of-Netw ork], [\$5,000 In-netw ork / \$10,000 Out-of-Netw ork]
In-network and out-of-network coverage	[Employees pay 0% In-Netw ork and 100% Out-of-Netw ork], [Employees pay 10% In-Netw ork and 30% Out-of-Netw ork], [Employees pay 20% In-Netw ork and 40% Out-of-Netw ork], [Employees pay 30% In-Netw ork and 50% Out-of-Netw ork], [Employees pay 40% In-Netw ork and 60% Out-of-Netw ork],
Out-of-pocket maximum (employee only, including deductibles and copays)	[\$2,000 In-Netw ork / \$6,000 Out-of-Netw ork], [\$3,000 In-Netw ork / \$9,000 Out-of-Netw ork], [\$4,000 In-Netw ork / \$12,000 Out-of-Netw ork], [\$5,000 In-Netw ork / \$15,000 Out-of-Netw ork], [\$7,500 In-Netw ork / \$22,500 Out-of-Netw ork]
Prescription coverage [generic/formulary/non-formulary]	[\$10 Rx copay / \$20 Rx copay / \$40 Rx copay], [\$10 Rx copay / \$20 Rx copay / Not covered], [\$10 Rx copay / \$40 Rx copay / 50% Rx copay], [10% Rx copay / 25% Rx copay / 50% Rx copay], [\$20 Rx copay / \$50 Rx copay / \$75 Rx copay], [No prescription coverage]
Choice of doctors in your area	[Virtually all area physicians included in netw ork], [80% of area physicians included in netw ork], [60% of area physicians included in netw ork], [40% of area physicians included in netw ork]
Office visit coverage	[Employees pay \$10 Primary Physician / \$20 Specialist], [Employees pay \$20 Primary Physician / \$30 Specialist], [Employees pay \$30 Primary Physician / \$50 Specialist], [Employees pay \$30 for first 8 visits, then pay deductible & coinsurance], [Employees pay \$10 for first 4 visits, then pay deductible & coinsurance], [Employees pay the
Preventive care visit coverage	[\$0 per visit (No cost)], [\$10 per visit], [\$20 per visit], [Pay the deductible and coinsurance on every visit]

# Sample Choice Set for Discrete Choice Exercise

Conjoint / discrete choice analysis used

 DSS Research

DSS Live™

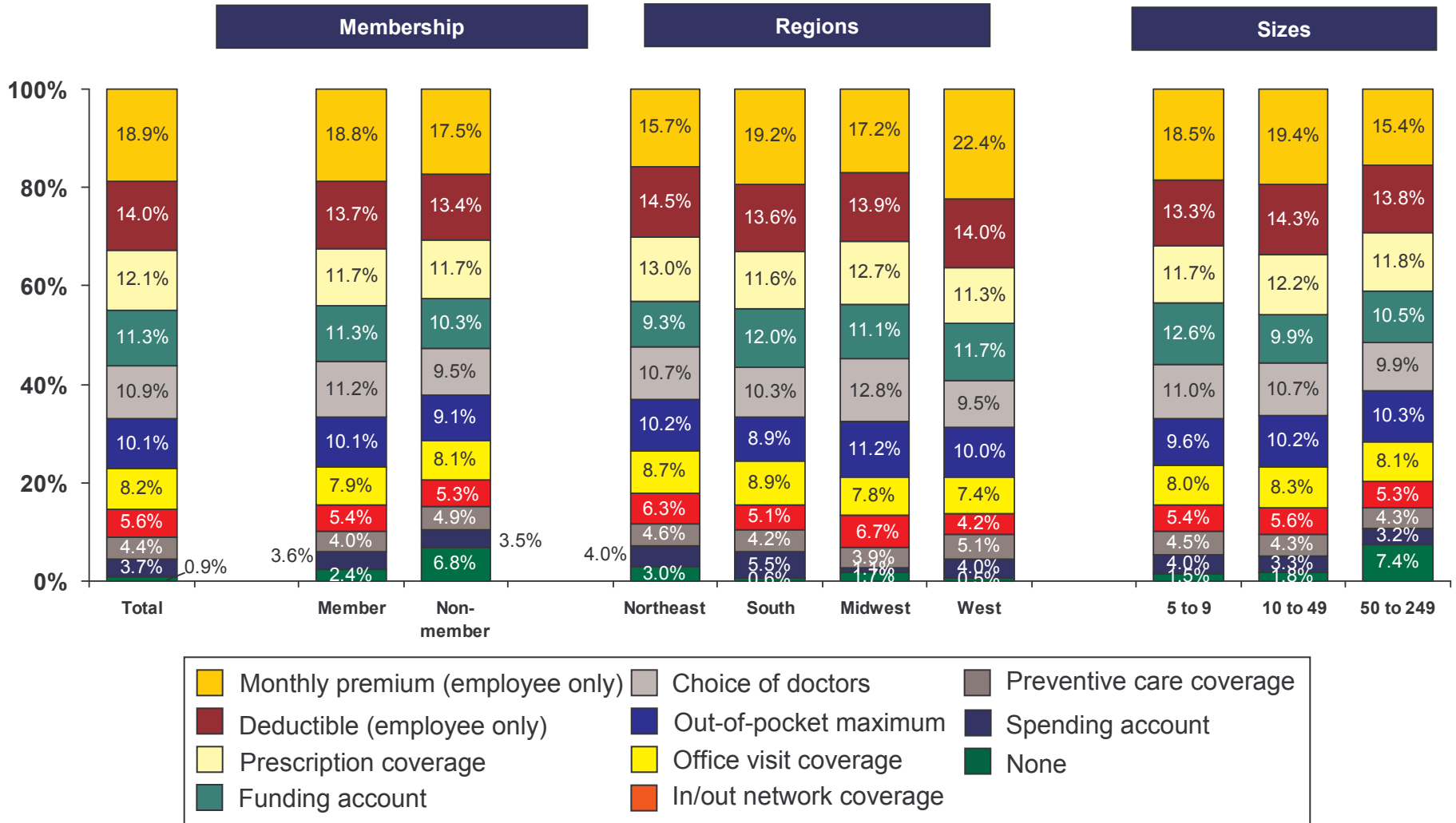
## CHOICE 10 OF 10

Which of the following health benefits combinations would best meet your business's needs?

Benefit	Option 1	Option 2	Option 3	None
<b>Monthly Premium</b> <i>(Employee Only)</i>	\$200 per month	\$175 per month <i>Including \$25 per month for spending account</i>	\$125 per month	If these were my only options, my business would choose not to offer health insurance
<b>Spending Account</b>	Not available	Health Reimbursement Arrangement (HRA)	Health Spending Account (HSA)	
<b>Funding Account</b>	Not applicable	Employer MUST fund 30% (\$300 per year)	Employer is not required to provide any funds for account	
<b>Deductible</b> <i>(Employee Only)</i>	\$500 In-Network/ \$1,000 Out-of-Network	\$1,000 In-Network/ \$2,000 Out-of-Network	\$1,000 In-Network/ \$2,000 Out-of-Network	
<b>In-Network and Out-of-Network Coverage</b>	Employees pay 10% In-Network and 30% Out-of-Network	Employees pay 10% In-Network and 30% Out-of-Network	Employees pay 20% In-Network and 40% Out-of-Network	
<b>Out-of-Pocket Maximum</b> <i>(Employee Only, including deductibles and copays)</i>	\$5,000 In-Network/ \$15,000 Out-of-Network	\$3,000 In-Network/ \$9,000 Out-of-Network	\$4,000 In-Network/ \$12,000 Out-of-Network	
<b>Prescription Coverage</b>			After the medical deductible is met, pay...	
Generic	\$10 Rx copay	\$10 Rx copay	\$10 Rx copay	
Formulary Brand	\$20 Rx copay	\$20 Rx copay	\$40 Rx copay	
Non-formulary	\$40 Rx copay	Not covered	Pay 50% of cost	
<b>Choice of Doctors in Your Area</b>	60% of area physicians included in network	80% of area physicians included in network	80% of area physicians included in network	
<b>Office Visit Coverage</b>	Employees pay \$20 Primary Physician/ \$30 Specialist	Employees pay \$30 Primary Physician/ \$50 Specialist	After the medical deductible is met, Employees pay the deductible and coinsurance on every visit	
<b>Preventive Care Visit Coverage</b>	\$20 per visit	\$10 per visit	\$0 per visit (No cost)	
<b>Your Choice</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Plan attribute importance – share of importance**

Monthly premium, deductible, and Rx coverage are the most important attributes. The order of the top three is consistent across most groups. Organizations in the West region place the most importance on premium while those in the Northeast place the least. Employers' willingness to drop health insurance coverage is represented by the "none" attribute. Businesses with 50 to 249 employees are the most resistant to dropping health coverage. NFIB members are significantly more likely to drop health coverage than are non-members.



Note: The above chart reflects the relative importance of each product feature in employer choice. Keep in mind that importance of a feature is a function of the levels used for the features in the test. Details on how importance is calculated are provided in Appendix A. Note that attribute importance cannot be averaged across subgroups for reasons described in Appendix A.

The utility associated with premium decreases consistently from \$125 per month to \$250 per month and begins to drop precipitously at \$300 per month. Employers in the West region place a little more value on each price point tested, while businesses in the Northeast and those with 50 to 249 employees place a little less importance on each level of premium.

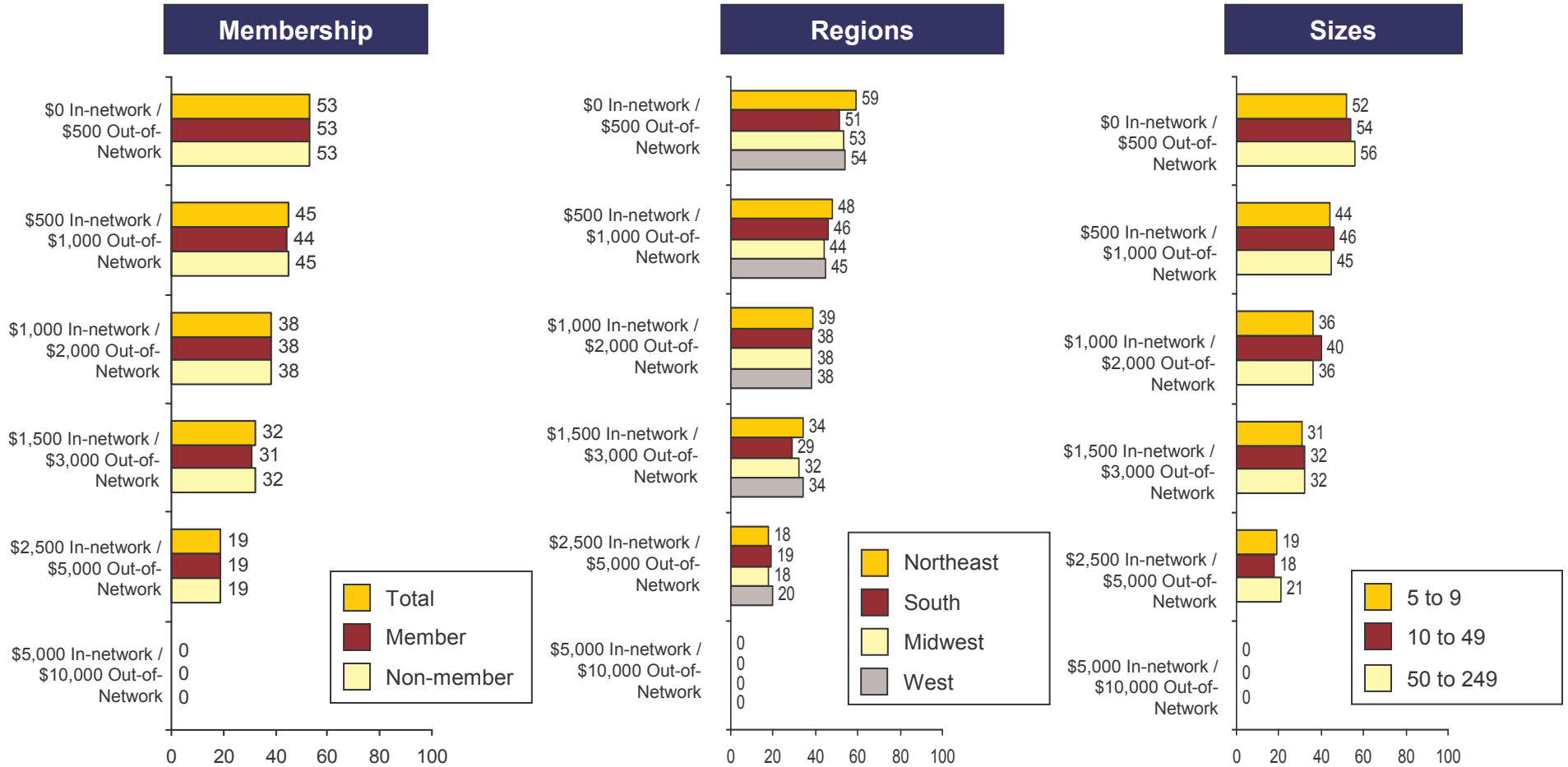
Utilities -- premium



Note: Utilities reflect the relative value of each level of a feature to employers. For a particular product, values for all the feature levels that make up that product can be summed to come up with the value of that product relative to all other products that can be made with the features and feature levels included in the exercise. Details on how utilities are calculated are provided in Appendix A.

Employers would prefer to have no deductible, but most are willing to consider deductibles up to \$1,500 before the perceived utility drops dramatically. Health plans with deductibles greater than \$1,500 will be much more difficult to sell, with or without a spending account.

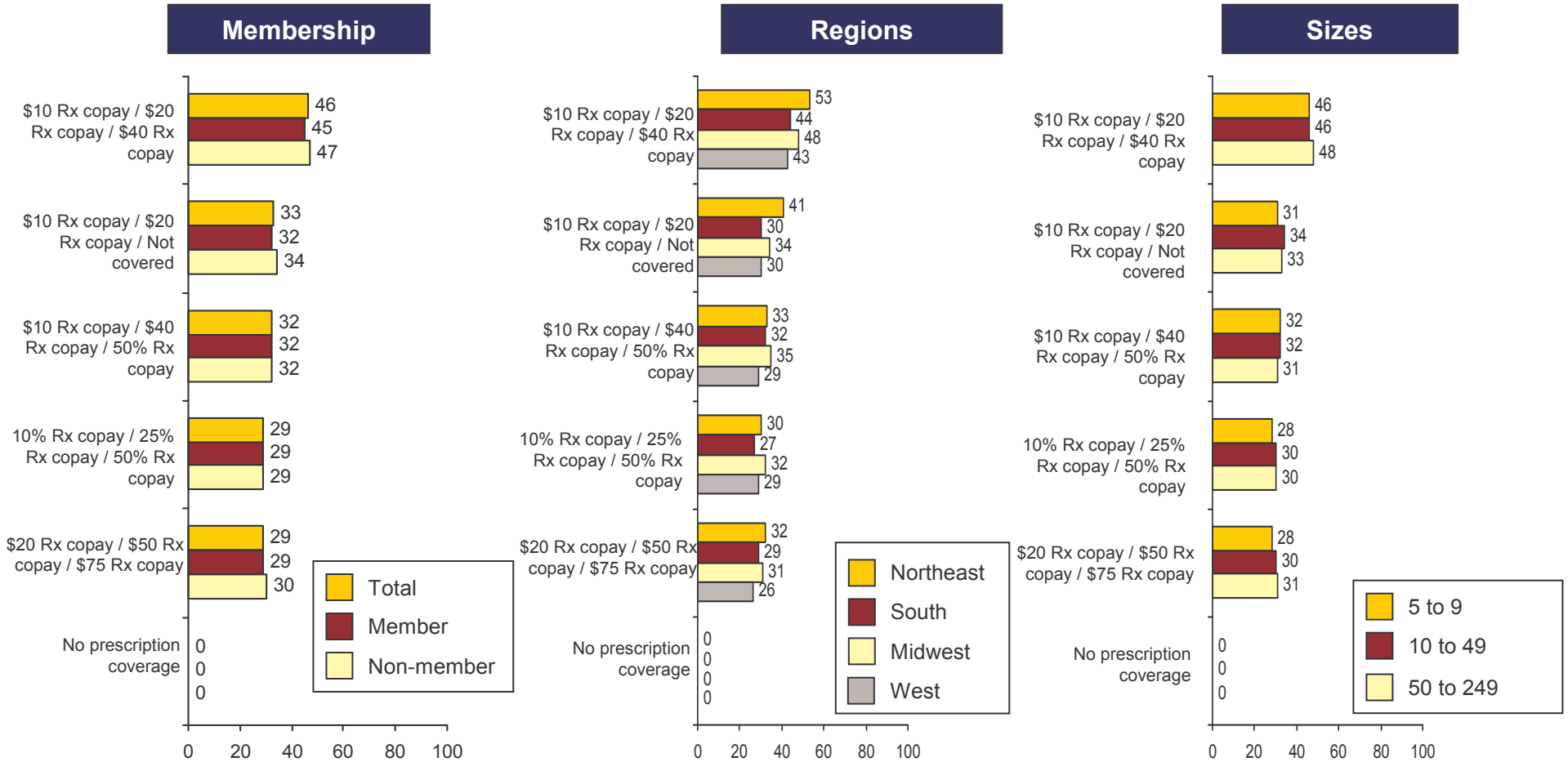
**Utilities – deductible**



Note: Utilities reflect the relative value of each level of a feature to employers. For a particular product, values for all the feature levels that make up that product can be summed to come up with the value of that product relative to all other products that can be made with the features and feature levels included in the exercise. Details on how utilities are calculated are provided in Appendix A.

The \$10/\$20/\$40 plan is the most valued. The standard, three tier prescription copay benefit is the most preferred, but the alternatives are far superior to no coverage at all. Employers would much rather drop third-tier coverage, raise copays for all three tiers or switch to a coinsurance benefit rather than drop prescription coverage entirely.

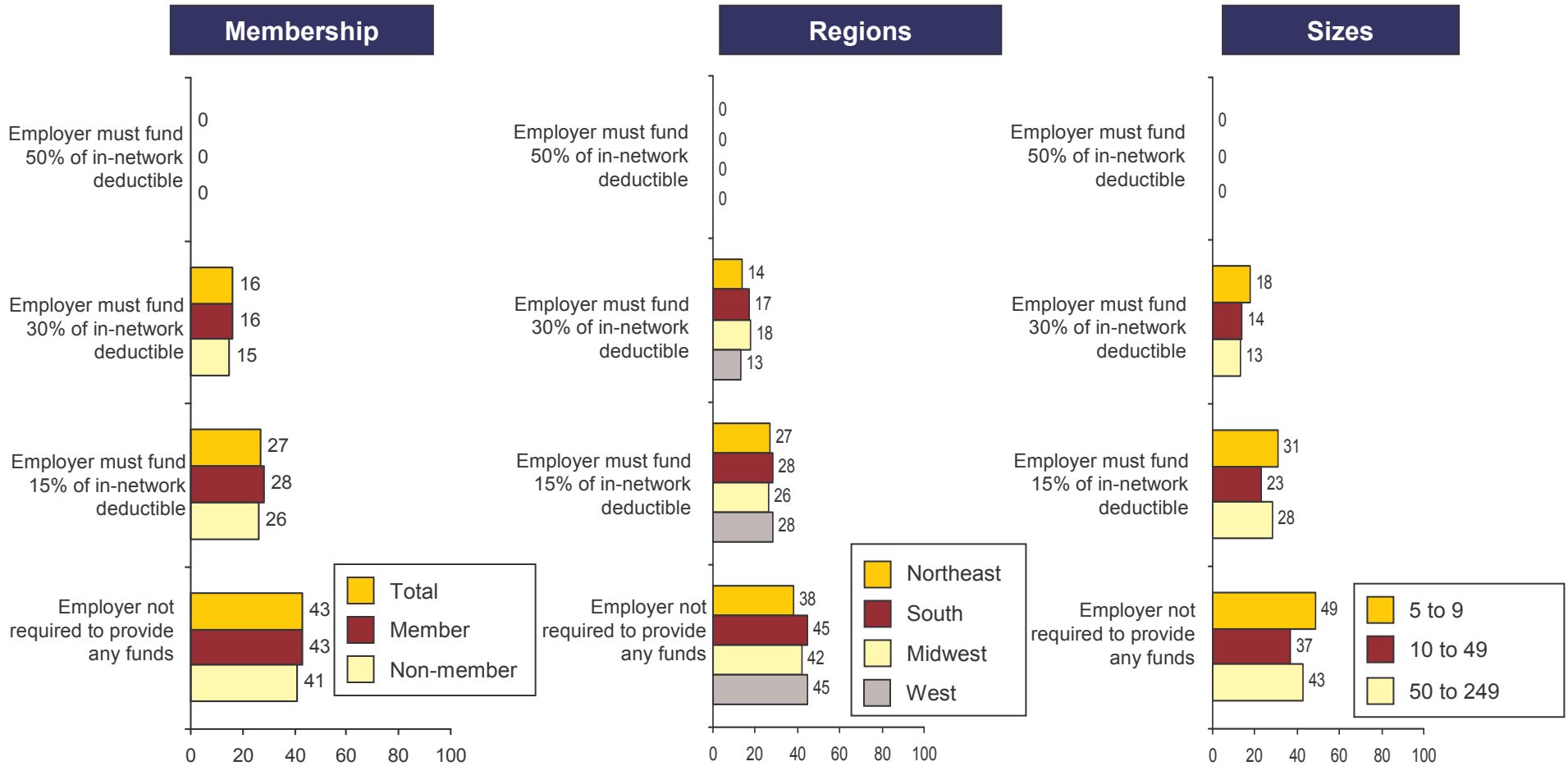
Utilities – Rx coverage



Note: Utilities reflect the relative value of each level of a feature to employers. For a particular product, values for all the feature levels that make up that product can be summed to come up with the value of that product relative to all other products that can be made with the features and feature levels included in the exercise. Details on how utilities are calculated are provided in Appendix A.

**Utilities – funding of HSA account**

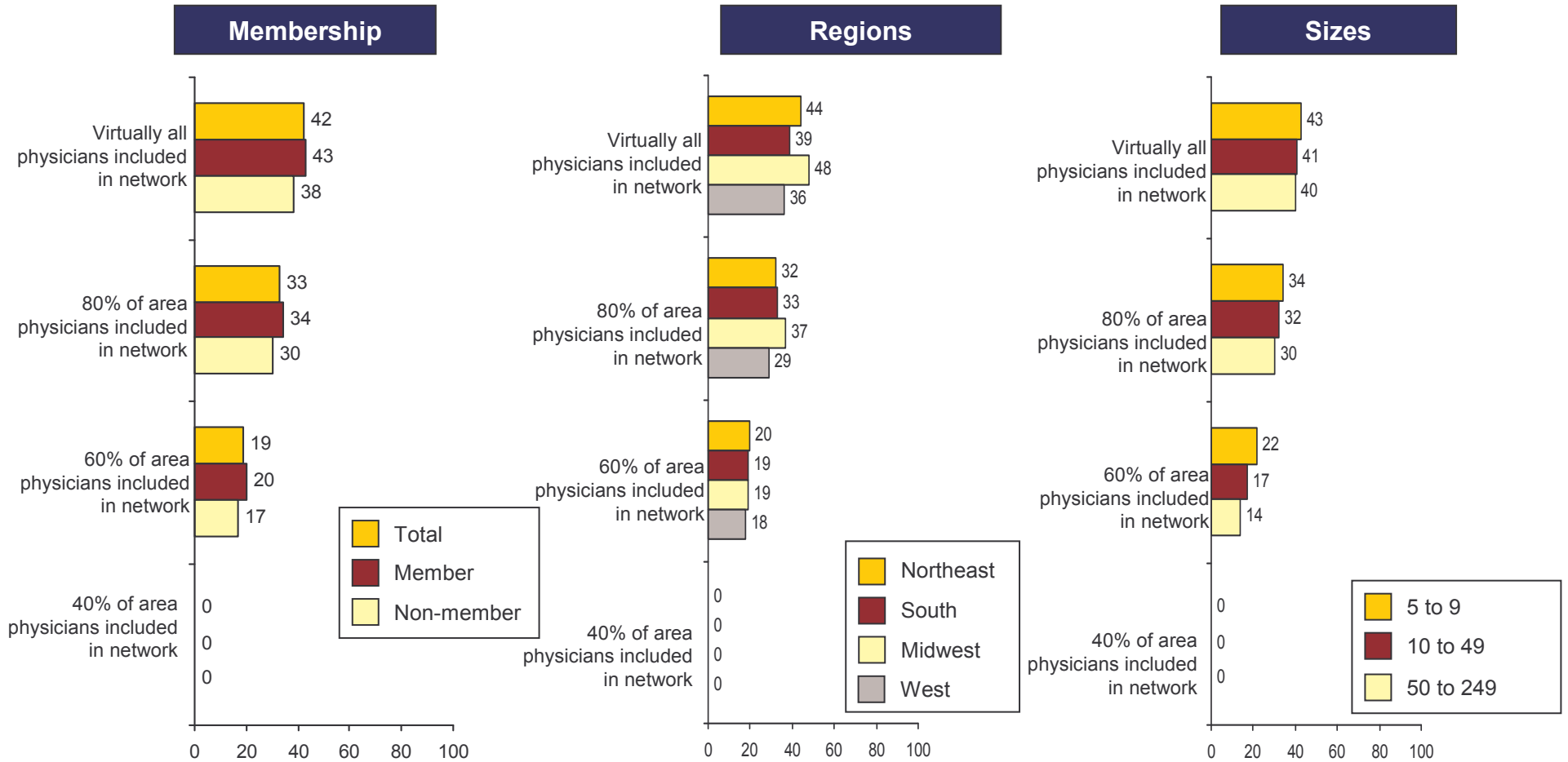
Unfunded spending accounts (which apply only to HSAs) are strongly preferred. A 15% funding requirement significantly reduces the perceived value of the spending account. A funding requirement above 30% of the deductible will be very difficult to sell due to the low utility of this option. These results are consistent between members and non-members, across regions and across number employees.



Note: Utilities reflect the relative value of each level of a feature to employers. For a particular product, values for all the feature levels that make up that product can be summed to come up with the value of that product relative to all other products that can be made with the features and feature levels included in the exercise. Details on how utilities are calculated are provided in Appendix A.

**Utilities – choice of doctors in area**

A large network that includes 80% of area physicians is almost as valuable as having access to all physicians in the area. Network value declines substantially when size drops below 80 percent of area physicians. This finding is consistent for members and non-members, across regions and across number of employee subgroups.



Note: Utilities reflect the relative value of each level of a feature to employers. For a particular product, values for all the feature levels that make up that product can be summed to come up with the value of that product relative to all other products that can be made with the features and feature levels included in the exercise. Details on how utilities are calculated are provided in Appendix A.

**Less important attribute utilities**

These attributes are not unimportant, but are much less important in the selection of a health plan than monthly premium, deductible and prescription coverage. However, when two plans are very similar on the most important items, the less important attributes become deciding factors. Non-members and businesses with 50 to 249 employees have a large, negative utility for the “none” option. These employers are very likely to continue offering health insurance to their employees because even a poor benefit design will exceed the negative utility of dropping health insurance.

Attributes	Total Sample	Member	Non-member	Northeast	South	Midwest	West	Company size: 5 - 9	Company size: 10 - 49	Company size: 50-249
<b>Out-of-Pocket Maximum (Employee Only, including deductibles and copays)</b>										
\$2,000 In-Netw ork / \$6,000 Out-of-Netw ork	38	39	36	42	34	42	38	37	39	42
\$3,000 In-Netw ork / \$9,000 Out-of-Netw ork	29	30	26	24	27	34	30	29	29	32
\$4,000 In-Netw ork / \$12,000 Out-of-Netw ork	21	21	19	16	20	23	22	19	21	27
\$5,000 In-Netw ork / \$15,000 Out-of-Netw ork	15	15	13	9	14	18	14	14	15	15
\$7,500 In-Netw ork / \$22,500 Out-of-Netw ork	0	0	0	0	0	0	0	0	0	0
<b>Office Visit Coverage</b>										
Employees pay \$10 Primary Physician / \$20 Specialist	32	31	32	36	34	29	28	31	31	33
Employees pay \$20 Primary Physician / \$30 Specialist	21	20	20	22	24	17	19	20	21	21
Employees pay \$30 Primary Physician / \$50 Specialist	17	17	17	19	19	15	16	17	18	18
Employees pay \$30 for first 8 visits, then pay deductible & coinsurance	13	13	13	15	14	12	13	13	14	13
Employees pay \$10 for first 4 visits, then pay deductible & coinsurance	15	15	15	10	17	17	12	16	14	14
Employees pay the deductible and coinsurance on every visit	0	0	0	0	0	0	0	0	0	0
<b>In-Network and Out-of-Network Coverage</b>										
Employees pay 0% In-Netw ork and 100% Out-of-Netw ork	12	12	11	15	12	14	7	13	12	9
Employees pay 10% In-Netw ork and 30% Out-of-Netw ork	21	21	21	25	19	25	16	21	21	21
Employees pay 20% In-Netw ork and 40% Out-of-Netw ork	15	15	14	17	15	18	10	16	15	12
Employees pay 30% In-Netw ork and 50% Out-of-Netw ork	10	11	10	11	10	13	7	11	10	10
Employees pay 40% In-Netw ork and 60% Out-of-Netw ork	0	0	0	0	0	0	0	0	0	0
<b>Preventive Care Visit Coverage</b>										
\$0 per visit (No cost)	17	15	20	19	16	15	20	17	16	17
\$10 per visit	13	12	15	13	13	13	16	14	13	12
\$20 per visit	10	9	11	8	9	11	12	10	10	9
Pay the deductible and coinsurance on every visit	0	0	0	0	0	0	0	0	0	0
<b>Spending Account</b>										
Health Spending Account (HSA)	0	0	0	0	0	0	0	0	0	0
Health Reimbursement Account (HRA)	9	7	11	10	14	3	7	7	9	13
Not available	14	14	14	16	21	4	15	16	13	12
<b>None of These</b>										
None	-3	9	-27	-12	2	-6	-2	6	-7	-30

Note: Utilities reflect the relative value of each level of a feature to employers. For a particular product, values for all the feature levels that make up that product can be summed to come up with the value of that product relative to all other products that can be made with the features and feature levels included in the exercise. Details on how utilities are calculated are provided in Appendix A.



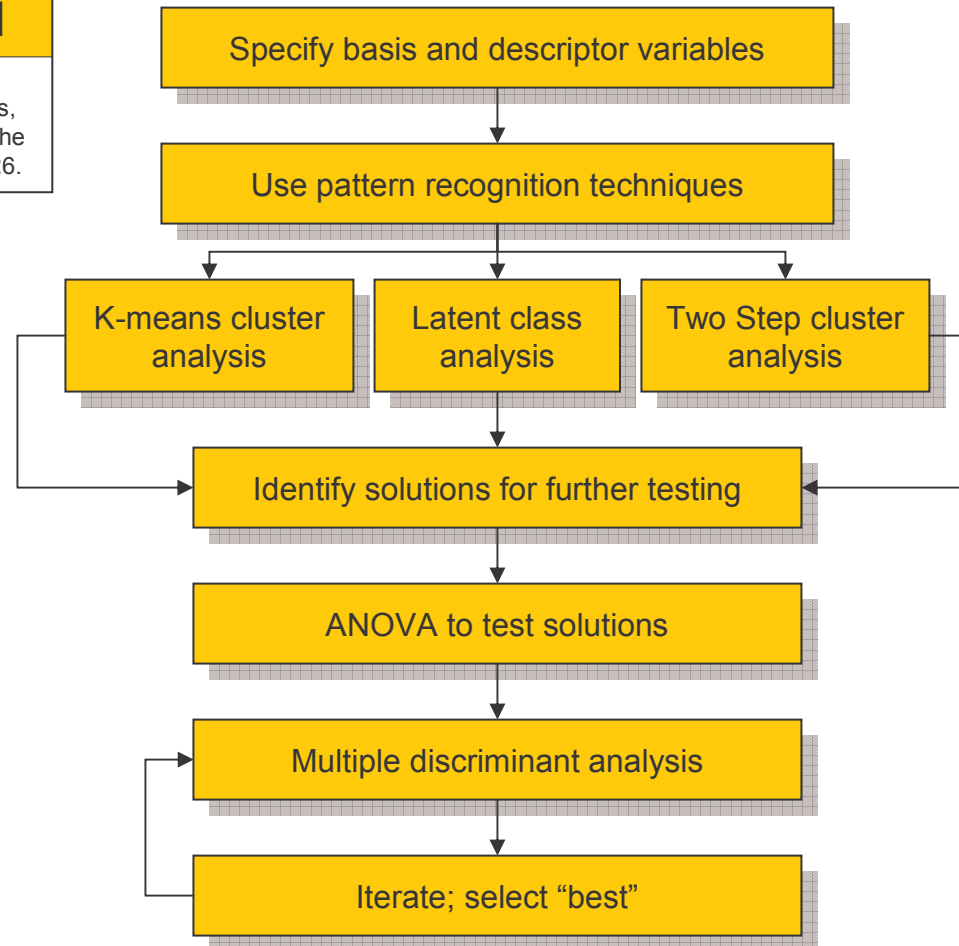
# Market Segmentation

# Market Segmentation Approach Used

## Market segmentation

### Basis variables used

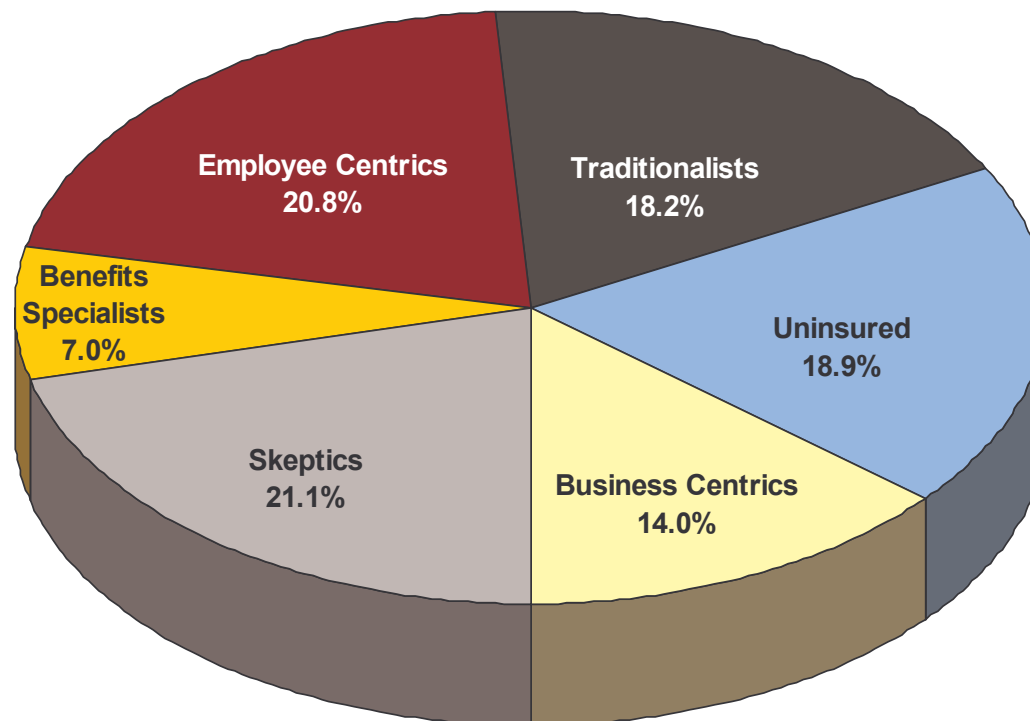
The variables used for the market segmentation consist of the conjoint utilities, attitudinal measures from question 25 and the benefits strategy measures from question 26.



**Market segmentation solution**

After evaluating dozens of solutions, the one shown below was selected as “best” based on statistical properties and face validity. Employers who currently offer health insurance were grouped into five segments based on their attitudes and benefit preferences. Those who do not currently offer health insurance comprise a sixth segment. Brief profiles of each segment are provided on the pages that follow.

**Employer market segments**



# Market Segment Summary

Market segmentation

	Business Centrics	Skeptics	Benefits Specialists	Employee Centrics	Traditionalists	Uninsured
Demographics	<ul style="list-style-type: none"> <li>Mid-size businesses (55% have 10-49 emp)</li> <li>Moderate wages</li> <li>36% of employees with children at home</li> <li>Highest concentration in the Midwest</li> </ul>	<ul style="list-style-type: none"> <li>Largest percentage of male employees</li> <li>Lowest union membership</li> <li>Lower wages</li> <li>Older employees</li> <li>High concentration in West region</li> </ul>	<ul style="list-style-type: none"> <li>Larger businesses</li> <li>Highest wages</li> <li>20% in professional or technical services</li> </ul>	<ul style="list-style-type: none"> <li>Highest union membership</li> <li>Moderate wages</li> <li>Oldest employees</li> <li>Most often found in Northeast and South</li> </ul>	<ul style="list-style-type: none"> <li>Larger businesses</li> <li>Moderate wages</li> <li>Manufacturing and service-oriented businesses</li> <li>Fewest employees with children at home</li> <li>Evenly distributed across the country</li> </ul>	<ul style="list-style-type: none"> <li>Youngest employees</li> <li>Lowest wages</li> <li>Highest percentage of female employees</li> <li>Smallest businesses (63% 5-9 employees)</li> <li>High concentration in the South</li> </ul>
Benefits strategy	<ul style="list-style-type: none"> <li>Use benefits to attract and retain employees</li> <li>Not likely to drop healthcare altogether</li> <li>Not likely to provide a benefit allowance</li> <li>Less likely to increase plan deductibles</li> <li>More likely to offer an HRA in the future</li> </ul>	<ul style="list-style-type: none"> <li>Highest likelihood to: increase out-of-pocket costs for employees</li> <li>Most willing to shift more costs to employees</li> <li>Most likely to drop healthcare coverage</li> <li>No procedures for evaluating health benefits</li> </ul>	<ul style="list-style-type: none"> <li>Most likely to offer an HSA</li> <li>Use technology to administer benefits</li> <li>Likely to add wellness programs</li> <li>Willing to increase employee out-of-pocket costs as needed</li> <li>Offer many benefits other than health care</li> </ul>	<ul style="list-style-type: none"> <li>Consider benefits an industry standard</li> <li>Try to minimize employees' out-of-pocket expenses and maximize their choices</li> <li>Least likely to use cost control measures or reduce coverage</li> <li>Least likely to consider an HSA</li> </ul>	<ul style="list-style-type: none"> <li>Most likely to pay 100% of employees' premium</li> <li>More comfortable with traditional health insurance options (HMO, PPO), but willing to consider HDHPs, HSAs and HRAs.</li> </ul>	(not asked)
Benefits attitudes	<ul style="list-style-type: none"> <li>Maximum out-of-pocket limit, prescription coverage and deductibles most important</li> <li>Feel having specific doctors and hospitals in the network is very important</li> <li>Lowest reliance upon a broker for health care decisions</li> </ul>	<ul style="list-style-type: none"> <li>Very price sensitive</li> <li>Feel the major difference between health care companies is price</li> <li>Least informed on health benefit issues</li> <li>Least likely to offer maximum choice to employees based on their needs</li> </ul>	<ul style="list-style-type: none"> <li>Comprised of well-informed, health insurance experts</li> <li>Still rely upon brokers/agents for health care decisions</li> <li>Very interested in spending accounts</li> <li>Very unlikely to drop health coverage</li> <li>Balanced preferences among all key design elements</li> </ul>	<ul style="list-style-type: none"> <li>Have clear cut procedures for how to evaluate health plans</li> <li>Highly value prescription coverage and low copays for doctor office visits</li> <li>Very satisfied with current coverage</li> <li>Prefer full featured HMO and PPO plans to spending accounts</li> </ul>	<ul style="list-style-type: none"> <li>Highly value low deductibles</li> <li>Large doctor network is very important</li> <li>Middle-of-the-road regarding attitudes towards health care and cost control measures</li> </ul>	<ul style="list-style-type: none"> <li>Don't offer coverage through employer, but most receive coverage through some source (spouse, individual plan, etc)</li> <li>77% don't offer health coverage due to costs</li> <li>Unfamiliar with HSAs</li> <li>Think HSAs are too expensive, but might consider one if presented to them</li> </ul>

## Attitude profile of segments

Benefits Specialists consider themselves well-informed, but consider the process of selecting a health plan more difficult and rely on brokers for help. The Business Centrics consider *having specific hospitals and doctors in the network to be very important*. Skeptics are least likely to agree with most of the statements except that the only difference between health insurance companies is price. Employee Centrics have goals of minimizing employees' out-of-pocket costs and maximizing their choices.

### Top-2 box scores shown

(on a 5 point agreement scale where 5= Strongly agree and 1= Strongly disagree)

Statement	Business Centrics (A) (n=372)	Skeptics (B) (n=561)	Benefits Specialists (C) (n=187)	Employee Centrics (D) (n=553)	Traditionalists (E) (n=483)	Uninsured (F) (n=0)*
i. The process of selecting a health plan for my business has become more difficult compared to previous years	80.9% D	79.1%	81.2%	75.0%	75.8%	0.0%
f. Having specific doctors in the network is very important	85.4% BC DE	64.0%	73.7% B	79.9% BE	73.1% B	0.0%
e. Having specific hospitals in the network is very important	82.8% BC DE	55.7%	70.7% B	73.2% B	71.2% B	0.0%
b. My business's goal is to minimize employees' out-of-pocket-costs	57.4% B	44.3%	53.5% B	61.1% B	56.9% B	0.0%
a. My business tries to offer maximum choice to employees based on their needs	48.0% B	38.5%	47.5% B	52.4% B	49.0% B	0.0%
c. I keep myself well-informed on health benefits issues by reading a wide range of materials	37.3% B	29.4%	48.9% AB DE	39.2% B	38.8% B	0.0%
h. My business does not have clear-cut procedures for how to evaluate and select health benefits for its employees	33.2%	32.9%	34.8%	27.3%	27.7%	0.0%
d. I rely upon a broker / agent to make my health insurance decisions	23.2%	27.0%	44.8% AB DE	29.4% A	31.7% A	0.0%
g. The only difference between major health insurance companies is price	23.6%	33.0% AE	31.4%	29.3%	26.3%	0.0%

■ Highest across segments ■ Lowest across segments (other than the Uninsured segment)

[Q25] Please indicate your level of agreement on a 5-point scale, where a 5 is "Strongly agree, describes me very well", and a 1 is "Strongly disagree, does not describe me at all". A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.\*This group is comprised of those business who do not offer health insurance to their employees. These organizations were assigned to their own segment for comparison to the other segments.

## Benefits strategy by segment

Employee Centric organizations are not willing to consider any of the cost control measures presented. Benefits Specialists are the most likely to *offer a high deductible plan with an HSA and increase plan deductibles* in general. Skeptics are the most likely to *drop health care coverage altogether*. Traditionalists do not stand out on any of the cost control strategies tested. The Uninsured employers were not asked this question.

### Top-3 box scores shown

(on a 6 point agreement scale where 6= Extremely likely/Already doing, 5= Very likely and 4=Somewhat likely)

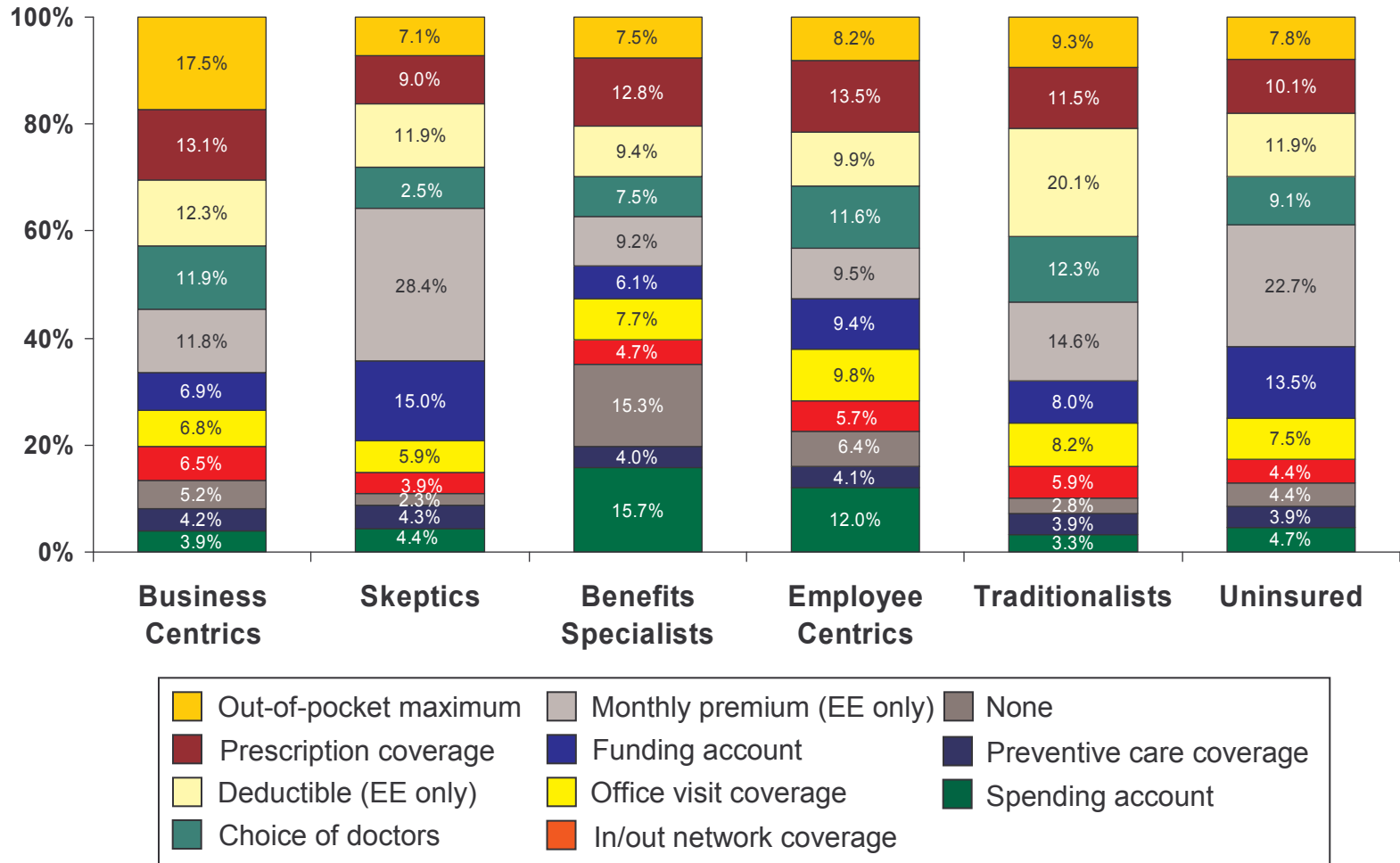
Statement	Business Centrics (A) (n=372)	Skeptics (B) (n=561)	Benefits Specialists (C) (n=187)	Employee Centrics (D) (n=553)	Traditionalists (E) (n=483)	Uninsured (F) (n=0)*
h. Increase plan deductibles	66.8%	73.2% <sup>AD E</sup>	75.1% <sup>AD</sup>	60.2%	67.3% <sup>D</sup>	0.0%
d. Increase out-of-pocket costs for employees	57.6%	65.8% <sup>AD E</sup>	62.0%	53.4%	58.9%	0.0%
a. Shift more costs to employees through increased employee contributions	53.5%	63.3% <sup>AD E</sup>	61.5% <sup>D</sup>	49.6%	55.1%	0.0%
f. Offer employees a high deductible plan with a Health Savings Account (HSA) where all unused funds are rolled over at the end of the year	58.8% <sup>D</sup>	61.2% <sup>D</sup>	73.8% <sup>AB DE</sup>	38.8%	61.4% <sup>D</sup>	0.0%
i. Increase the amount employees pay for prescription drugs	52.5%	58.4% <sup>D</sup>	55.6%	47.1%	57.3% <sup>D</sup>	0.0%
b. Use technology to administer benefits and distribute healthcare information	44.5%	45.0% <sup>D</sup>	55.0% <sup>AB D</sup>	38.1%	52.3% <sup>AB D</sup>	0.0%
c. Add or enhance health / wellness program	45.1%	38.4%	55.8% <sup>AB D</sup>	40.2%	51.1% <sup>BD</sup>	0.0%
e. Provide a benefit allowance for health insurance so that employees shop on their own for health benefits with little involvement from your business	24.8%	37.8% <sup>AD E</sup>	39.1% <sup>AD E</sup>	21.5%	28.5% <sup>D</sup>	0.0%
g. Drop health care coverage altogether	7.9%	19.8% <sup>AC DE</sup>	13.4%	10.7%	9.2%	0.0%

■ Highest across segments ■ Lowest across segments (other than the Uninsured segment)

[Q26] Please indicate your level of agreement on a 5-point scale, where a 5 is "Strongly agree, describes me very well", and a 1 is "Strongly disagree, does not describe me at all". A capital letter (ABC) on the table above indicates that the associated number is statistically a significantly higher figure, at a 95% confidence level, than the number associated with the column identified by the capital letter.\*This group is comprised of those business who do not offer health insurance to their employees. These organizations were assigned to their own segment for comparison to the other segments.

**Plan attribute importance by segment – share of importance**

The most important attributes vary widely across segments. Business Centrics are most concerned about *maximum out-of-pocket limits*. Skeptics place more importance on *premium* and *funding level* than any other group. Employee Centrics place the highest importance on *prescription coverage*. The *none* responses is very important to Benefits Specialists who want to avoid dropping health insurance coverage at all cost. *None* is also very important to Employees Centrics who are willing to consider dropping health coverage if they can not find a plan that meets their goal of minimizing employees' costs.



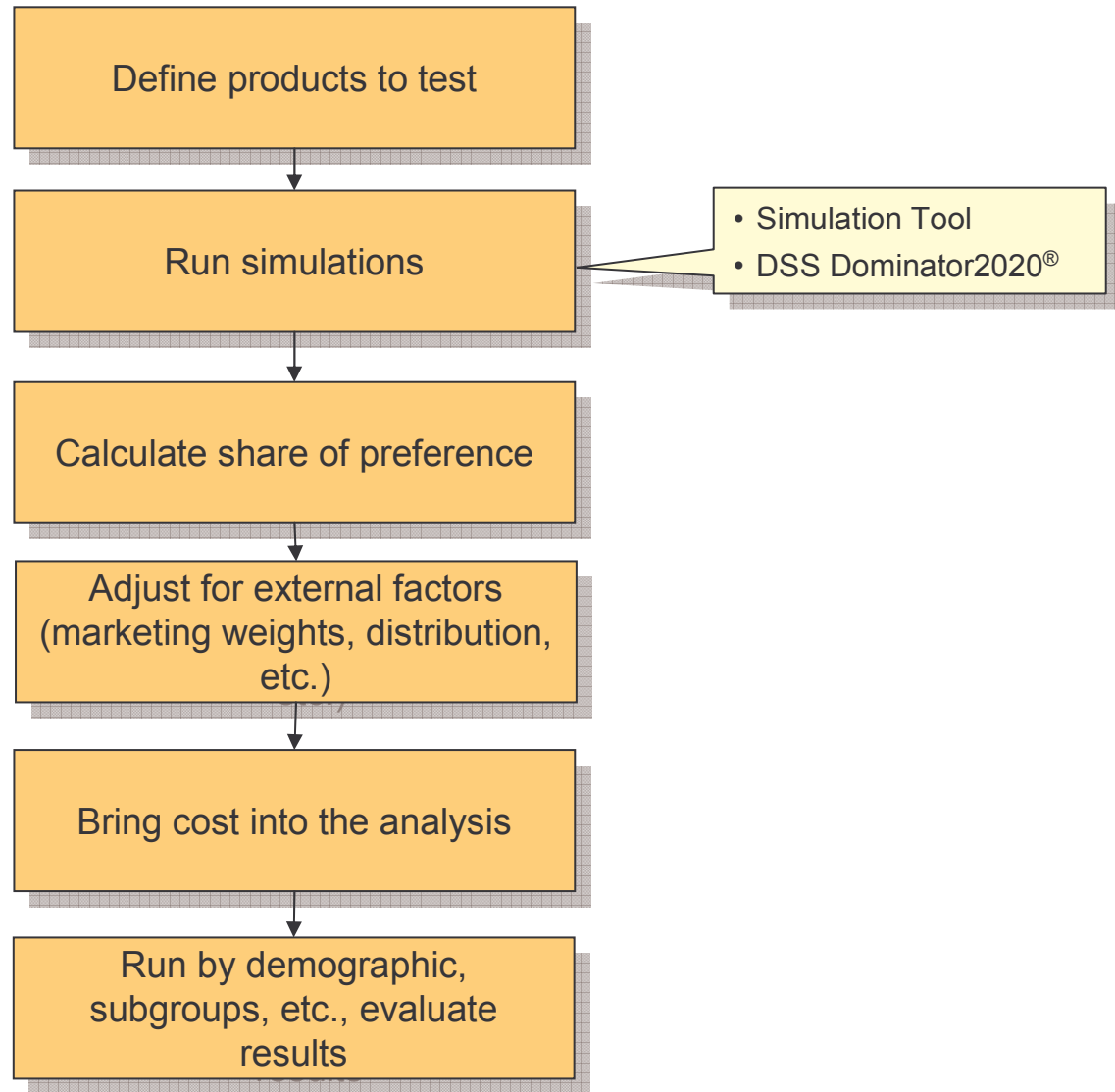
Note: The above chart reflects the relative importance of each product feature in employer choice. Keep in mind that importance of a feature is a function of the levels used for the features in the test. Details on how importance is calculated are provided in Appendix A. Note that attribute importance cannot be averaged across subgroups for reasons described in Appendix A.



# Dominator 2020<sup>®</sup> Simulation

# Market Simulation Approach

Market simulation



# Market Simulation Discussion

## Market simulation

Market simulations are conducted to see how preferences for certain attributes translate into potential demand for new and existing products. Utilities calculated for each employer are the basis for calculations of the overall value and preference for any possible product to be considered. The more attractive a combination of features assigned to a particular product, the greater the potential demand for that product. Simulations were run using a hypothetical scenario with standard HMO and PPO plans, a HDHP, HSA and HRA plans. The results show:

- **HSAs are competitive with traditional products.** The HSA design with a \$1,500 HDHP at \$190 per month is very competitive with a \$0 deductible HMO and \$500 deductible PPO due to the much lower premium of the HSA. The HSA is preferred to a \$1,000 deductible HRA costing \$210 per month. Benefits Specialists and Skeptics strongly prefer the HSA over the traditional plans. Some of the uninsured employers would seriously consider the HSA if made aware of it.
- **HRA performs well even with 50% funding requirement.** Except among Business Centrics and Traditionalists, the HSA with no funding requirement slightly outperforms the HRA with a requirement that 50% of the \$1,000 deductible be funded by the employer (\$500 divided into 12 equal payments and deposited into HRA). With a lower funding limit or smaller differential in monthly premium between the HRA and HSA plans, the HRA could surpass the HSA among most employers. The differential is currently at \$20 per month premium difference plus \$42 in HRA funding per month.
- **The HDHP without a spending account performs worse than one with an HSA.** Assuming that the extra administrative responsibilities of offering an HSA added \$10 per month to the premium of an HDHP, most employers would slightly prefer the higher priced HDHP with HSA over an HDHP only. On the Employee Centrics, who are very anti-HSA, prefer the HDHP over the HDHP with HSA.
- **Significant number of employers would not offer health insurance.** Under the scenario tested, almost 14% of employers would be expected to not offer health insurance. Roughly 18% of employers surveyed currently do not offer health insurance. Some of those who do not offer insurance would consider doing so if the plans tested were made available to them. These gains would be partially offset by some Employee Centrics, Skeptics and Traditionalists who did not find any of the plans tested to be acceptable to them.

# Scenario for Test Simulation

Market simulation test

Attributes	Products					
	HMO Plan	Low Deductible PPO	High Deductible PPO	HDHP with HSA	PPO with HRA	None of These
<b>Monthly Premium (Emp. Only)</b>	\$280	\$320	\$180	\$190	\$210	n/a
<b>Health Spending Account</b>	Not available	Not available	Not available	Health Spending Account (HSA)	Health Reimbursement Account (HRA)	n/a
<b>Funding HSA Account</b>	n/a	n/a	n/a	Employer not required to provide funds	Employer MUST fund 50% of deductible	n/a
<b>Deductible (Emp. Only)</b>	\$0 In-netw ork / \$500 Out-of-netw ork	\$500 In-netw ork / \$1,000 Out-of-netw ork	\$1,500 In-netw ork / \$3,000 Out-of-netw ork	\$1,500 In-netw ork / \$3,000 Out-of-netw ork	\$1,000 In-netw ork / \$2,000 Out-of-netw ork	n/a
<b>In- / Out-of-Netw ork Coverage</b>	0% In-Netw ork / 100% Out-of-Netw ork	10% In-Netw ork / 30% Out-of-Netw ork	20% In-Netw ork / 40% Out-of-Netw ork	20% In-Netw ork / 40% Out-of-Netw ork	20% In-Netw ork / 40% Out-of-Netw ork	n/a
<b>OOP Maximum (Emp. Only)</b>	\$2,000 In-Netw ork / \$6,000 Out-of-Netw ork	\$3,000 In-Netw ork / \$9,000 Out-of-Netw ork	\$5,000 In-Netw ork / \$15,000 Out-of-Netw ork	\$5,000 In-Netw ork / \$15,000 Out-of-Netw ork	\$4,000 In-Netw ork / \$12,000 Out-of-Netw ork	n/a
<b>Prescription Coverage</b>	\$10 G / \$40 B / 50% NF	\$10 G / \$20 B / 100% NF	\$20 G / \$50 B / \$75 NF	\$20 G / \$50 B / \$75 NF	\$20 G / \$50 B / \$75 NF	n/a
<b>Choice of Doctors in Your Area</b>	50% of area physicians included in netw ork	80% of area physicians included in netw ork	80% of area physicians included in netw ork	80% of area physicians included in netw ork	80% of area physicians included in netw ork	n/a
<b>Office Visit Coverage</b>	\$20 PCP / \$30 SCP	\$10 PCP / \$20 SCP	\$20 PCP / \$30 SCP	\$20 PCP / \$30 SCP	\$20 PCP / \$30 SCP	n/a
<b>Preventive Care Coverage</b>	\$10 per visit	\$10 per visit	\$20 per visit	\$20 per visit	\$10 per visit	n/a
<b>None of These</b>	n/a	n/a	n/a	n/a	n/a	None

**Sample market simulation**

None of these products is a clear “winner” based on the way the five plans were defined for these market simulations. The low deductible PPO and HDHP with an HSA are favored by most employers while the PPO with an HRA is the least attractive to most employers. The HDHP with HSA is strongest among Benefits Specialists and Skeptics. Benefits Specialists like the HSA because of their interest in spending accounts and cost controls while Skeptics prefer the HSA and the HDHP without an HSA because of their low premiums.

Demographic Groups	Products					
	HMO Plan	Low Deductible PPO	High Deductible PPO	HDHP with HSA	PPO with HRA	None of These
<b>Total Sample</b>	17.3%	19.1%	17.0%	19.1%	13.8%	13.6%
<b>Northeast Region</b>	20.3%	23.7%	14.8%	15.3%	13.2%	12.7%
<b>South Region</b>	16.8%	17.9%	18.9%	18.8%	14.5%	13.2%
<b>Midwest Region</b>	15.9%	19.7%	15.9%	21.1%	13.8%	13.6%
<b>West Region</b>	17.7%	16.7%	17.7%	19.9%	13.4%	14.6%
<b>Company size: 5 to 9 employees</b>	17.3%	19.3%	16.7%	19.0%	11.5%	16.1%
<b>Company size: 10 to 49 employees</b>	17.1%	18.3%	17.2%	19.0%	15.9%	12.5%
<b>Company size: 50 to 249 employees</b>	18.0%	22.0%	16.4%	19.3%	16.0%	8.3%
<b>Segment 1 - Business Centrics</b>	18.7%	23.6%	12.9%	16.0%	20.6%	8.2%
<b>Segment 2 - Skeptics</b>	13.9%	10.6%	24.4%	28.8%	10.3%	12.0%
<b>Segment 3 - Benefits Specialists</b>	12.5%	16.3%	9.4%	33.5%	20.7%	7.7%
<b>Segment 4 - Employee Centrics</b>	21.0%	26.6%	14.5%	9.4%	10.2%	18.3%
<b>Segment 5 - Traditionalists</b>	17.3%	21.4%	14.0%	18.2%	18.6%	10.6%
<b>Segment 6 - Uninsured</b>	14.7%	14.5%	19.4%	21.3%	10.1%	20.1%

■ Highest across products    ■ Lowest across products



# Appendix A

**Example of calculating rescaled importance and utilities**

*Or, why they can't be averaged across columns in a table*

## Calculating and rescaling feature (attribute) importance

Product feature or attribute importance is defined as the relative importance of a feature compared to the importance of all other features included in the study. The greater the range between the most highly valued and least valued levels of a feature as measured by computed utilities (estimates of value of feature level to the buyer), the greater the importance or weight of that feature in determining buyer choice.

Feature importance is derived by identifying the highest and lowest valued levels for each feature, calculating the differences between these numbers (within-feature range), summing these differences for all features (sum of the within feature range) and then dividing each within feature difference by the sum of all within-feature differences to determine the proportion of that sum that each feature contributes.

To present these proportions consistently with utilities, we do a linear transformation that involves assigning 100 points to each feature and multiplying the total points (e.g., if you have 10 features or attributes then you would have 1,000 total points) by the proportion of the total each feature accounts for (i.e., in our 10 feature example with 1,000 total points, if a feature accounts for 22% of the sum of the within feature ranges then it would get 220 points). If all features were of equal importance, they would each get 100 points through this process. If a feature gets 250 points through this process then it is 2.5 times more important than a hypothetical, average feature. A feature with 40 points is only 40% as important as an average feature.

## Rescaling of attribute level utilities

The term “feature” refers to product attributes such as premium, deductible, copy or coinsurance, etc. Features have “levels.” For example, the feature “copay” might have levels of \$10, \$15, \$20.

Utility is defined as the relative value of one level of a feature relative to all other levels of that feature and to the levels of all other features. Utilities are derived directly from the statistical model used to analyze the conjoint data. These utilities are in the form of positive and negative real numbers, usually falling between +3.0 and -3.0 with larger numbers reflecting higher utility or value and lower numbers the opposite.

To make it easier to compare utilities across features and respondent groups, we **rescale** all computed “raw” utilities by assigning 100 points to each feature and distributing those points across feature levels based on their relative magnitudes.

The rescaling is performed by identifying the least valued option (the one with the lowest utility) for each feature, subtracting its utility from itself and all other levels within that feature, summing these addends across all features and then dividing each addend by the total sum to compute the proportion of points to be assigned to each feature level. Under this scaling system, the lowest valued level in each feature will be worth 0 points and all other levels will be positive numbers. The levels of a hypothetical average feature should sum to 100 points. Rescaled utilities use a 100 points-per-feature system similar to the scaling used for feature importance, but the results are not the same because feature importance is only concerned about the differences between the most highly and least valued options of a feature while utilities take into account the magnitudes of all feature levels relative to each other.

## Rescaling conjoint utilities

When overall utilities are shown along with utilities for various subgroups the overall results are NOT an average of the results for subgroups. Rather, results for each column in the comparison are computed separately.

Start with the raw utilities which are decimal values usually ranging between +3.0 and -3.0. Higher numbers indicate greater utility. Because we use effects coding (*n-1 dummy variables, where n is the number of levels; the last level of an attribute is given a value of -1 for each dummy variable instead of 0*), the raw utilities sum to 0 within an attribute.

To make it easier to compare utilities across groups, we convert the raw utilities to zero-based units by subtracting the minimum utility in each group from all raw utilities in that group. After conversion, the least desirable level in each group is equal to zero and the most desirable level is equal to the difference between the best and worst levels. The final step in the rescaling process is to divide the converted utilities by the sum of all utilities across all attributes within a group. Then multiply by 100 times the number of attributes. For the example, we divided 0.995 by 1.803 and multiplied by 100 to get 55. Similarly,  $0.503 / 1.803 \times 100 = 28$ .

In some cases (as in this example), the most desirable and least desirable option varies by group. In those cases the average of those subgroups can produce rescaled utilities higher or lower than any individual items in those groups. For example, Brand 2 is never the lowest brand for any one group but it winds up with the lowest average utility across those three groups, thus resulting in a rescaled utility of "0" overall. Likewise, Brand 5 is preferred in two out of the three groups, retaining such a high average across overall that its rescaled utility is higher overall than it is for any one group individually.

Brand Name	Raw Utilities			
	Average	Group 1	Group 2	Group 3
Brand 1	0.203	0.719	0.136	-0.248
Brand 2	-0.301	-0.677	0.054	-0.279
Brand 3	-0.269	-0.334	0.007	-0.480
Brand 4	-0.170	0.181	0.337	-1.028
Brand 5	0.694	0.937	-0.435	1.581
Brand 6	-0.157	-0.827	-0.100	0.454

Brand Name	Convert to Zero-Based Raw Utilities			
	Average	Group 1	Group 2	Group 3
Brand 1	0.503	1.546	0.571	0.780
Brand 2	<b>0.000</b>	0.150	0.489	0.749
Brand 3	0.032	0.493	0.442	0.548
Brand 4	0.130	1.008	0.772	0.000
Brand 5	<b>0.995</b>	1.764	0.000	2.609
Brand 6	0.143	0.000	0.335	1.482

Brand Name	Rescaled Utilities			
	Average	Group 1	Group 2	Group 3
Brand 1	28	31	22	13
Brand 2	<b>0</b>	3	19	12
Brand 3	2	10	17	9
Brand 4	7	20	30	0
Brand 5	<b>55</b>	36	0	42
Brand 6	8	0	13	24