

CENTER FOR HEALTH INFORMATION AND ANALYSIS

MASSACHUSETTS EMPLOYER SURVEY

2016 SUMMARY OF RESULTS

MARCH 2017



Errata (4/14/2017)

The Center for Health Information and Analysis, along with its contractors, the John Snow Inc. and NORC at the University of Chicago, noted several errors in the Massachusetts Employer Survey, which was released on March 30, 2017. The following corrections were incorporated in the current version of the report.

1. Page 14, for “Offer Rates to Part-Time Employees,” changed 30% to 31% for all firms; 29% to 30% for small firms.
2. Page 17, for “Copay for Inpatient Visit,” changed \$369 to \$396.
3. Page 19, for “POS Plan Offering,” changed 7% to 6% for all firms; 8% to 7% for small firms.
4. Page 21, for “Offer Rate of HDHPs with HRA,” changed 19% to 18% for all firms and 18% to 17% for small firms; for “Offer Rate of HDHPs with HRA or HSA,” changed 31% to 30% for small firms.
5. Page 23, for “Self-Funded Plans and Enrollment,” changed label entitled “Any Plan Type Self-Funded by Firm Size” to “Percent of Employees Offered Self-Funded Plans by Firm Size.”
6. Page 27, for “Increase Copay/Deductibles,” changed 47% to 48% for “Effective”; for “Change Health Carriers or Plans” change 23% to 22% for “Enacted”; for “Outsource Work to Contractors or Temporary Workers,” changed 2% to 1% for “Effective”; for “Other Strategies,” changed 4% to 3% for “Effective” and 5% to 4% for “Enacted.”

Corrections, where appropriate, were also made throughout the text in the report and its [companion databook](#).

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Executive Summary

As part of the Center for Health Information and Analysis's (CHIA) Continuing Program of Study on Insurance Coverage, Underinsurance and Uninsurance, the Massachusetts Employer Survey (MES) provides a valuable lens on the employer health insurance market in Massachusetts.

The majority of Massachusetts residents obtain health insurance through their own or a family member's employer. Employer-sponsored insurance shapes the health insurance markets in the state and impacts the demand for the state's public insurance programs, including MassHealth. The MES, an ongoing survey of Massachusetts employers, tracks and monitors employer health insurance offerings, employee take-up rates, health insurance premiums, employer contribution amounts, plan characteristics, and employer decision making.

This report highlights key findings from the 2016 MES. It is accompanied by a [databook](#), a [field report](#) with technical details, and the [survey questionnaire](#).

Changes to the MES

In 2016, the MES was redesigned based on stakeholder input to provide a better understanding of the employer health insurance market in the Commonwealth. Key enhancements include new questions on current and emerging issues, improved comparability to national data, and increased sample size with a more balanced distribution of firms by sizes. The 2016 MES introduces several new topics, including offer and adoption of savings options with high deductible health plans, benefit redesigns including value-based insurance designs, employer contribution strategies, and employer decision making, including the use of private exchanges. These changes to MES methodology have made comparisons to data from previous surveys more complex. In order to provide trend information, the 2016 MES data was statistically adjusted to make it comparable to data from previous survey years.

Executive Summary (continued)

Employer Insurance Offer Rates

Overall, the majority of Massachusetts employers continue to offer health insurance to their employees. In 2016, 65% of Massachusetts firms offered health insurance, which was higher than the national offer rate of 56%, but the offer rate varied considerably by firm size. Small firms (3-199 employees) had lower offer rates than large firms (200 or more employees), 64% vs. 100%. The offer rate dropped among establishments* with 3-24 employees between 2009 and 2016, and remained relatively stable for other establishment sizes.

Massachusetts employers were more likely to offer insurance to part-time workers than employers nationally (31% vs. 16%). However, small firms were less likely than large firms to offer coverage to part-time workers in Massachusetts (30% vs. 43%).

Employee Take-Up and Coverage Rates

Seventy-four percent of Massachusetts employees who were eligible for their employer's health plans chose to enroll in a plan (take-up rate), which was slightly lower than the national take-up rate of 79%. The take-up rate was lowest (58%) among employees at firms with 25-49 employees and highest (77%) at firms with 200 or more employees. The take-up rate between 2009 and 2016 fell notably among establishments with 25-49 employees.

Among Massachusetts firms that offered health insurance, more than half of **all** employees (56%) received health coverage from their employers (coverage rate).

Cost-Sharing

Cost-sharing levels varied by firm size. In 2016, premium contribution from employees for both single coverage and family coverage was higher at small firms than large firms. Similarly, average annual deductibles and out-of-pocket limits were higher at small firms than large firms.

* Establishment is defined as an individual worksite (e.g., CVS as an individual worksite), and firm is defined as an organization that could encompass multiple worksites (e.g., CVS as an organization).

Executive Summary (continued)

HMO/PPO Enrollment

While both large and small firms offered Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) plans at similar rates, the plans selected by employees from these offerings differed by firm size. More than half of covered workers in small firms were enrolled in HMO plans, and nearly two-thirds of covered workers in large firms were enrolled in PPO plans.

Employer Strategies

In selecting new plan designs, large firms were more likely than small firms to offer value-based insurance designs; nearly one-fifth (18%) of large firms offered this type of plan, compared with less than 2% of small firms. Though large firms were twice as likely as small firms to offer savings options (Health Reimbursement Accounts [HRAs] and/or Health Savings Accounts [HSAs]) with high deductible health plans (HDHPs) (60% vs. 30%), enrollment in savings options with HDHPs was higher among employees working at small firms than large firms (30% vs. 19%).

When asked about strategies to control costs, employers cited “increased copayment and deductibles” as both a strategy that they found effective (48%) and a strategy that was enacted within the past year (40%). Few employers cited “increasing the employee contribution to premiums” as an effective strategy (8%) and it was not often enacted within the past year (6%).

Among firms with less than 50 employees, the reasons for not offering insurance included “employees covered under another plan” (64%) and “the firm is not required to offer insurance” (58%).

What's New in the Survey

In 2016, CHIA redesigned this survey based on stakeholder input to better capture changes in the employer health insurance market and align Massachusetts's results with national data.

Key enhancements to the MES include:

- **New questions on current and emerging issues.** Several new topics have been added to the 2016 MES survey including benefit redesigns, employer contribution strategies, employer use of private exchanges, savings options with high deductible health plans, alternative payment methods, and small employer purchasing decisions.
- **Improved comparability to national data.*** The MES sample was redesigned to capture responses from firms (e.g., CVS Pharmacy as an organization) rather than establishments (e.g., an individual CVS Pharmacy worksite), as decision making about health benefits is almost always made at the firm rather than the establishment level. Because national surveys on employer health insurance also use firms as the unit of measurement, this change makes comparisons between Massachusetts and national data more reliable.
- **Increased sample size.** The 2016 MES includes responses from 910 Massachusetts employers, which is the largest sample size since Chapter 58 of the Acts of 2006, the Commonwealth's health care expansion law, was enacted. The larger sample size allows more stratification on employer characteristics and the ability to conduct analyses on more specific topics such as lower-wage employers, factors associated with the cost of insurance premiums, and small firm purchasing.
- **Oversampling of large firms.** Large firms were oversampled in order to accurately represent them in the insurance market since these firms account for the majority of workers.

* In this report, national data used in comparisons was drawn from the 2016 Kaiser/HRET Employer Health Benefits Annual Survey Report.

Employer Insurance Market: Offer, Take-Up, and Coverage Rates

Most Massachusetts residents receive health insurance through their own or a family member's employer. With the implementation of Chapter 58 as well as the Affordable Care Act, Massachusetts has made changes to the health insurance marketplace which impacted both the offering and take-up of employer-sponsored insurance. To provide a better understanding of the current market landscape, this section examines offer, take-up, and coverage rates by firm size and employee type. Because of changes to the survey design in 2016, the current data was reweighted from firms to establishments in trend analysis to make it comparable to data from previous survey years.¹

In this report, small firms refer to employers with 3 to 199 employees and large firms refer to employers with 200 or more employees. While large firms make up only 4.2% of firms, they employ over 70% of the workforce and cover nearly 75% of employees in Massachusetts. Additional information is available in the [field report](#).

Findings in this section include:

- Sixty-five percent of Massachusetts employers offered health insurance, higher than the national offer rate of 56%.
- Small firms had lower offer rates than large firms. While all firms with 100 or more employees offered health insurance, only 48% of firms with three to nine employees offered health insurance.
- The offer rate dropped among establishments with 3-24 employees between 2009 and 2016.
- Three out of four employees who were eligible for health insurance enrolled in their employer's health plans (a 74% employee take-up rate).
- The take-up rate was lowest (58%) among employees at firms with 25-49 employees and highest (77%) at firms with at least 200 employees.

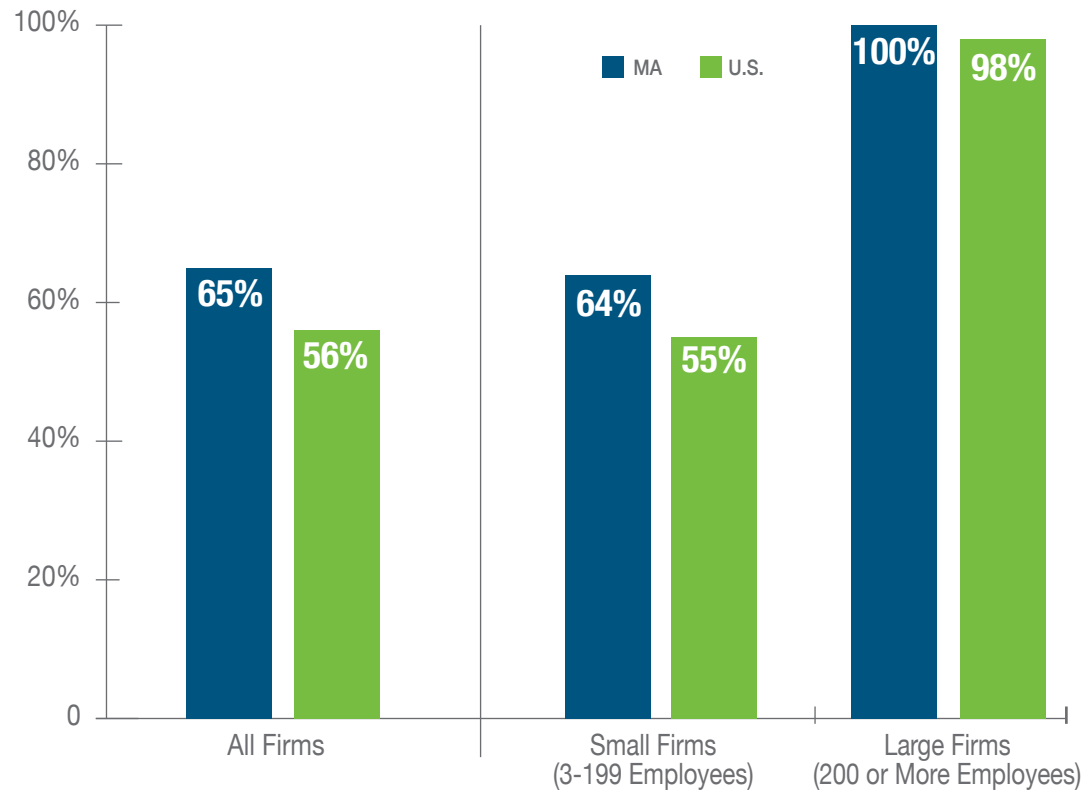
Employer Insurance Market: Offer, Take-Up, and Coverage Rates (continued)

- The take-up rate between 2009 and 2016 fell notably among establishments with 25-49 employees; no significant changes were observed among other establishment sizes.
- More than half of employees (56%) employed by firms that offered health insurance received health coverage from their employers, which was lower than the national coverage rate of 62%.
- Employees who worked at firms with a higher proportion of lower-wage workers were less likely to be offered health insurance (a 41% offer rate), and eligible employees were also less likely to subscribe to their employers' health plan even when offered (a 50% take-up rate). The rate of all employees covered by their employers' health plans at these firms was 35%.
- Compared to firms nationally, Massachusetts firms were almost twice as likely to offer health insurance to part-time workers, 31% vs. 16%.
- Employees at firms with a higher proportion of part-time workers were less likely to take up insurance than employees employed at firms with a lower proportion of part-time workers (66% vs. 76%).

2016 Employer Offer Rates: MA vs. U.S.

In 2016, 65% of all Massachusetts employers offered health insurance. Offer rates were lower among small firms than large firms, at 64% and 100%, respectively. Compared to the U.S., Massachusetts's offer rates were higher for both small and large firms.

Offer Rates by Firm Size



Offer rate is the percentage of firms that offer their employees some form of health insurance.

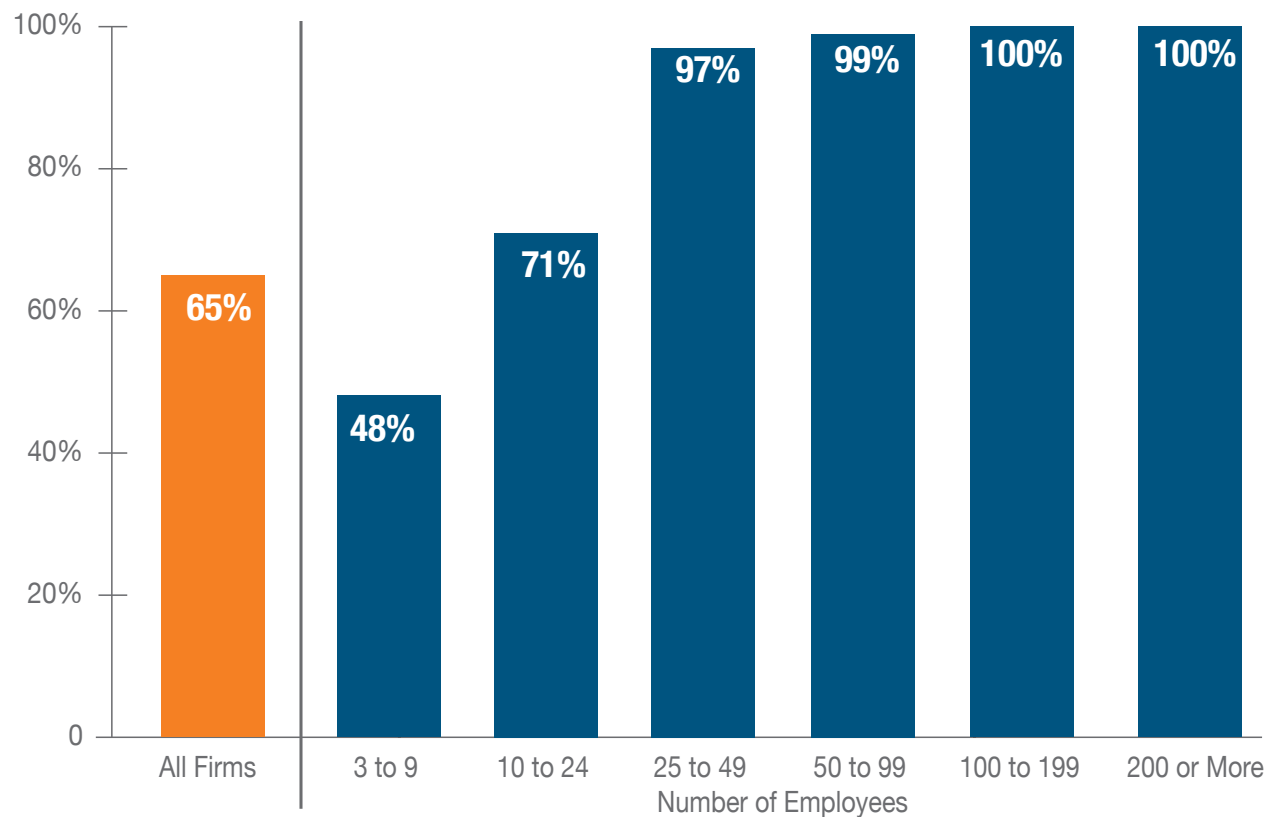
Note: Offer rates were adjusted by firm weights. U.S. data was drawn from the 2016 Kaiser/HRET Employer Health Benefits Annual Survey Report.

2016 Massachusetts Employer Offer Rates

There is large variation in offer rates among small firms.

In 2016, offer rates were lowest among firms with three to nine employees and 10 to 24 employees, at 48% and 71%, respectively. Almost all firms with at least 25 employees offered health insurance.

Offer Rates by Firm Size



Note: Offer rates were adjusted by firm weights.

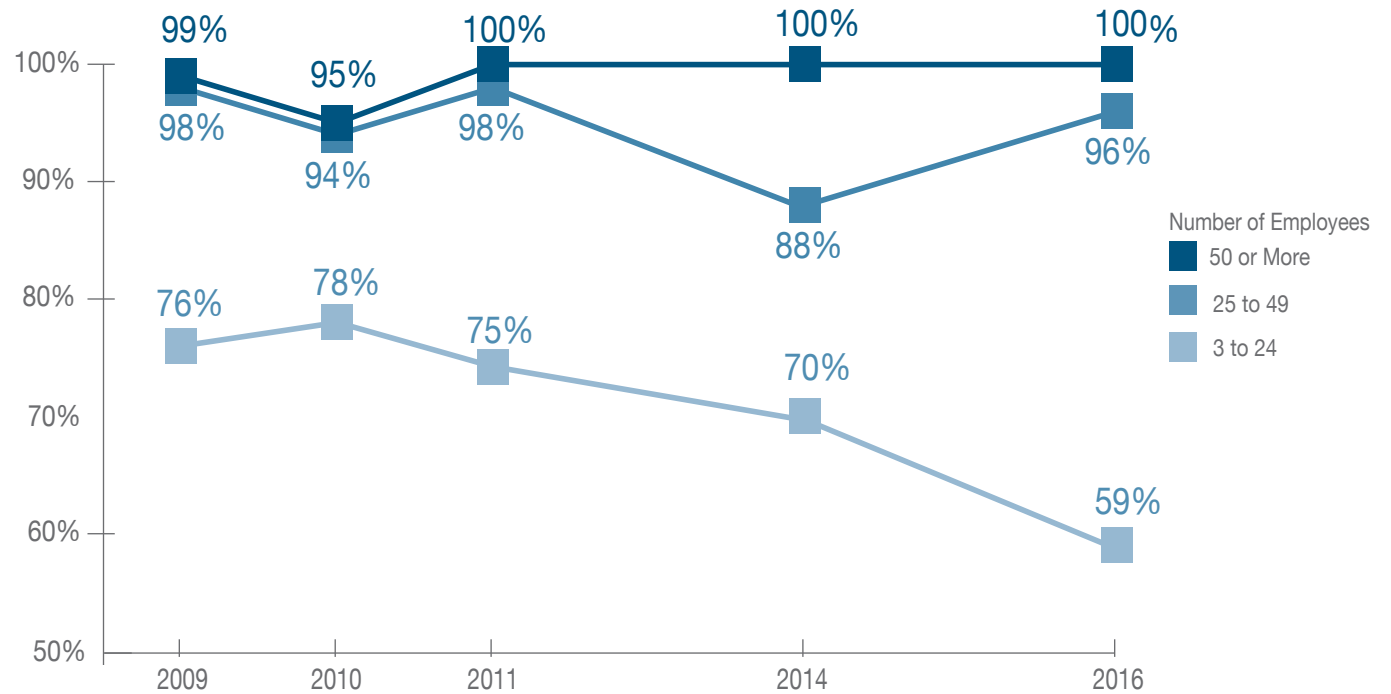
EMPLOYER INSURANCE MARKET

Employer Offer Rates Over Time

Because of changes to the survey design in 2016, the current data was reweighted from firms to establishments to make it comparable to data from previous survey years.²

Between 2014 and 2016, the offer rate among establishments (3-24) dropped from 70% to 59%. No significant changes were observed among other establishment sizes.

Offer Rates by Establishment Size, 2009-2016



Note: Establishment refers to a particular worksite or location. Each CVS Pharmacy is an establishment. Establishment-level offer rates were adjusted by establishment weights. In 2016, establishments with three to 24 employees represented 26% of workers, establishments with 25 to 49 employees represented 14% of workers, and establishments with 50 or more employees represented 60% of workers in Massachusetts, based on CHIA's analysis of Bureau of Labor Statistics data). See [field report](#) for additional information.

EMPLOYER INSURANCE MARKET

2016 Employee Take-Up and Coverage Rates: MA vs. U.S.

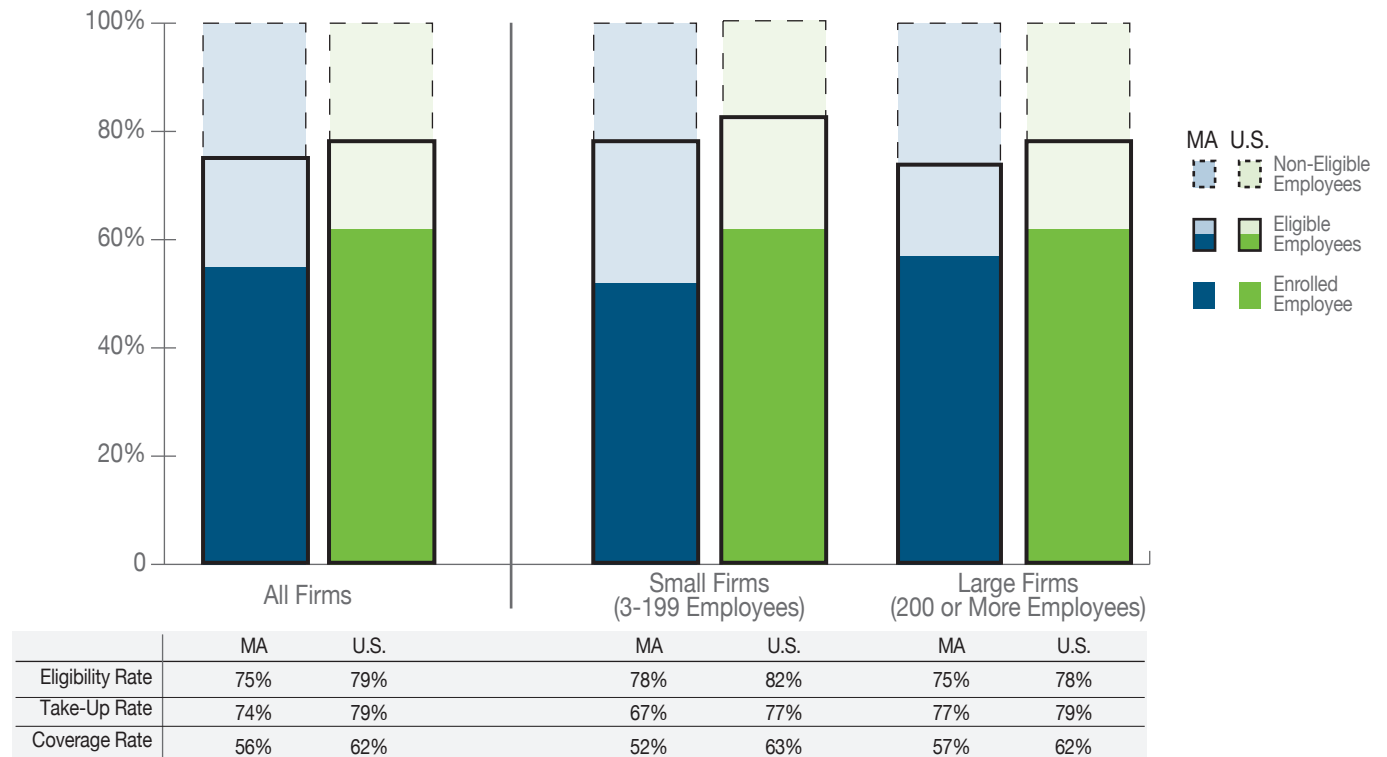
While the offer rate is determined by decisions made by firms, the take-up rate is decided by eligible employees. Ineligible employees tend to be part-time or in a waiting period for health benefit eligibility.

In 2016, 75% of Massachusetts employees were eligible for their firms' health insurance, and 74% of these **eligible** employees enrolled in their employer's health plans, slightly lower than the national take-up rate of 79%. Among Massachusetts firms that offered health insurance, more than half of **all** employees (56%) received health coverage from their employers (coverage rate).

While eligible employees at small and large firms enrolled in their employer's health plans at similar rates nationally, in Massachusetts, take-up rates were lower among small firms than large firms.

Workers who do not enroll in their employer's health plan may receive coverage either through a family member's employer, the Massachusetts Health Connector, public programs (CommCare, MassHealth), or may be uninsured.

Take-Up and Coverage Rates in Firms Offering Health Benefits by Firm Size



Eligibility rate is the percentage of employees eligible for health benefits offered by their employer.

Take-up rate is the percentage of **eligible** employees that enrolled in their employer's offered health insurance plans.

Coverage rate is the percentage of **all** employees covered by their employer's offered health insurance plans.

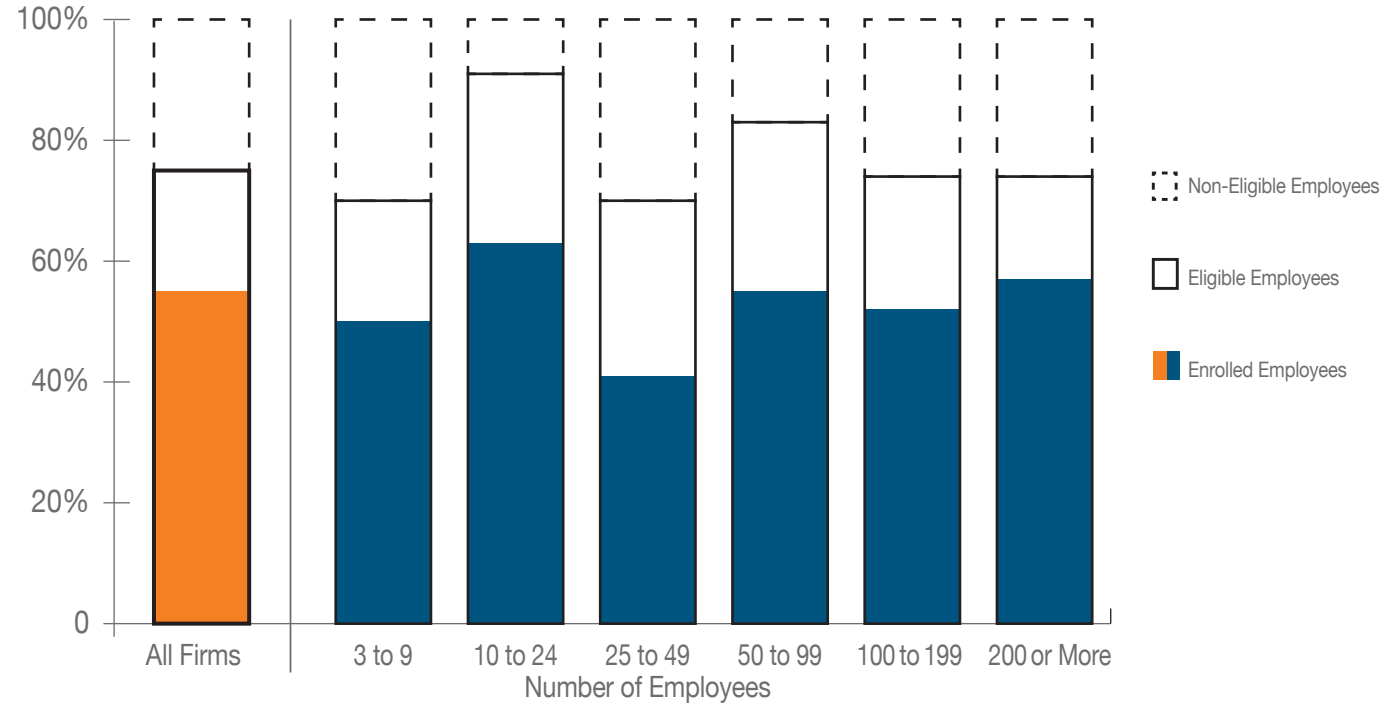
Note: Take-up rates are average rates for surveyed employers offering health insurance, weighted by eligible employees. Coverage rates are average rates for surveyed employers offering health insurance, weighted by all employees. U.S. data are drawn from the 2016 Kaiser/HRET Employer Health Benefits Annual Survey Report.

2016 Massachusetts Employee Take-Up and Coverage Rates

Take-up and coverage rates vary across firm sizes.

The employee take-up rate in 2016 was lowest (58%) among employees at firms with 25-49 employees and highest (77%) at firms with at least 200 employees.

Take-Up and Coverage Rates in Firms Offering Health Benefits by Firm Size



Eligibility Rate	75%	70%	91%	70%	83%	74%	75%
Take-Up Rate	74%	71%	69%	58%	67%	70%	77%
Coverage Rate	56%	50%	63%	41%	56%	52%	57%

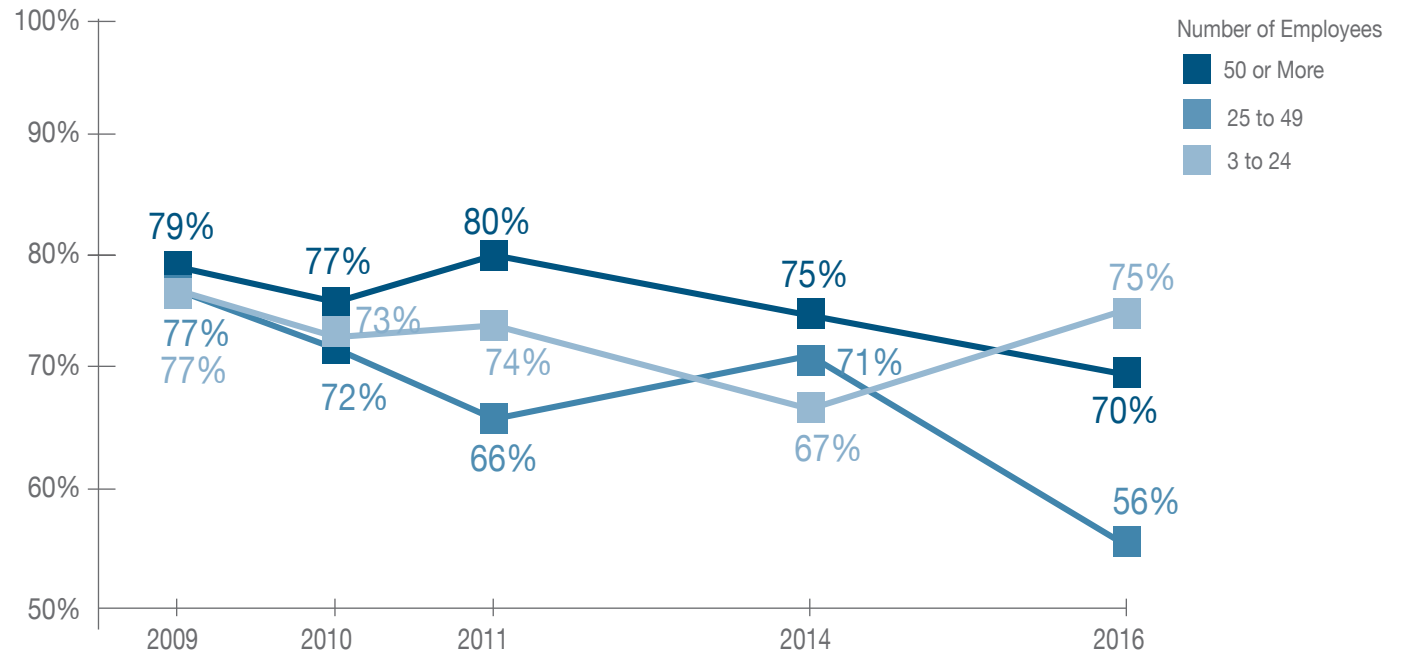
Note: Take-up rates are average rates for surveyed employers offering health insurance, weighted by eligible employees. Coverage rates are average rates for surveyed employers offering health insurance, weighted by all employees.

Median Employee Take-Up Rates Over Time

Because of changes to the survey design in 2016, the current data was reweighted from firms to establishments to make it comparable to data from previous survey years.³

The take-up rate between 2009 and 2016 fell notably among establishments with 25-49 employees, and no significant changes were observed among establishments with 3-24 employees and establishments with 50 or more employees.

Take-Up Rates in Establishments Offering Health Benefits by Establishment Size, 2009-2016



Note: Establishment refers to a particular worksite or location. For example, each CVS Pharmacy is an establishment. Establishment-level take-up rates are median rates among surveyed employers offering health insurance, adjusted by establishment weights. In 2016, establishments with 3 to 24 employees represented 26% of workers, establishments with 25 to 49 employees represented 14% of workers, and establishments with 50 or more employees represented 60% of workers in Massachusetts, based on CHIA's analysis of Bureau of Labor Statistics data). See [field report](#) for additional information.

EMPLOYER INSURANCE MARKET

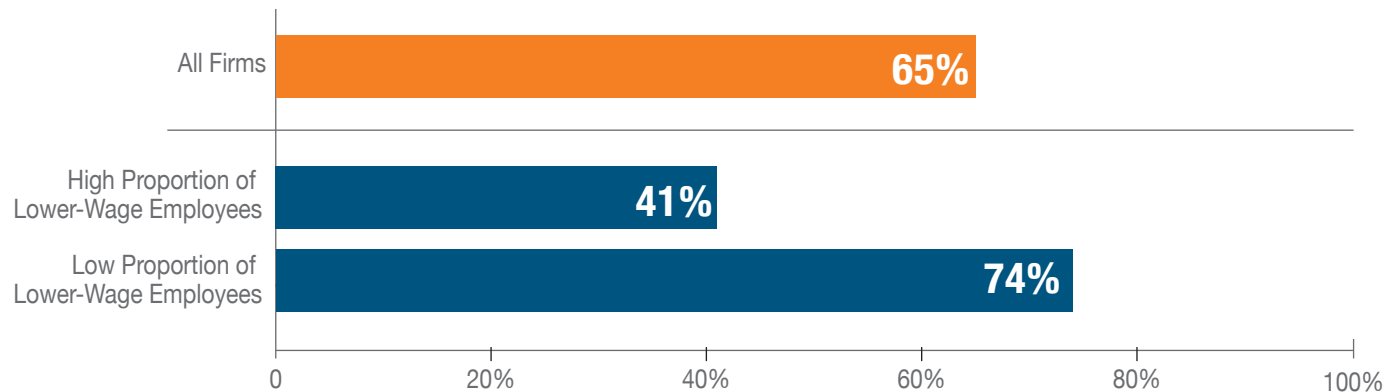
2016 Offer, Take-Up, and Coverage Rates among Firms with Lower-Wage Employees

Firms with a high proportion of lower-wage employees, here defined as employers with at least 35% of their workers making less than \$28,000 annually, were much less likely than firms with a low proportion of lower-wage employees to offer health insurance (offer rates of 41% vs. 74%).

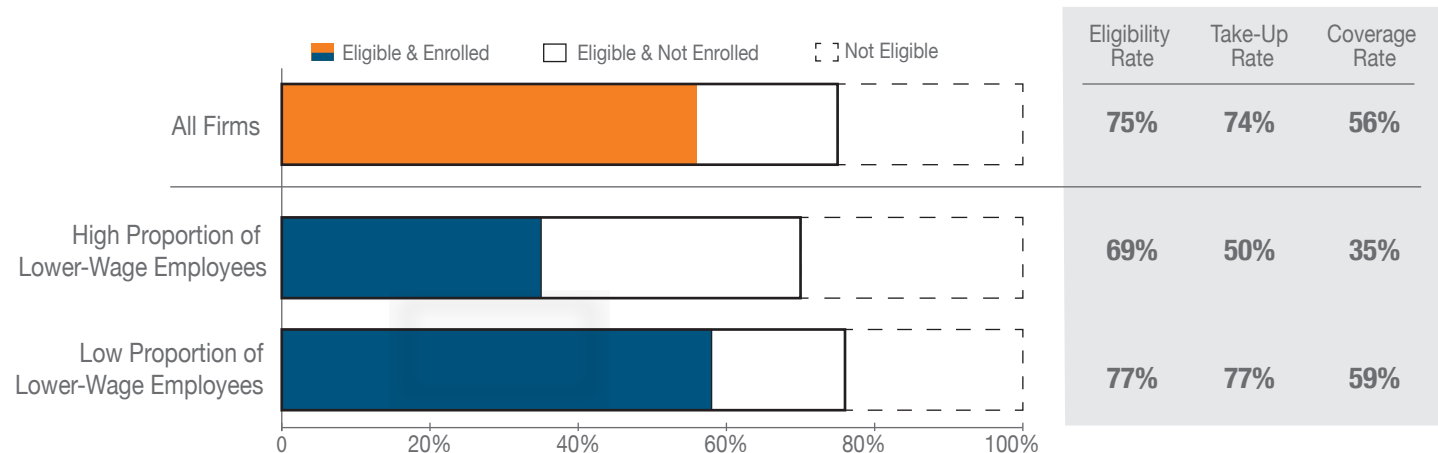
In 2016, 69% of employees at firms with a high proportion of lower-wage workers were eligible for their firm's health insurance, and 50% of these eligible employees took up insurance with their employer's health plans. Among these firms, 35% of all employees received health coverage from their employers.

In contrast, 77% of employees at firms with a low proportion of lower-wage workers were eligible for their firm's health insurance, and 77% of these eligible employees took up insurance with their employer's health plans. Among these firms, 59% of all employees received health coverage from their employers.

Offer Rates by Firm Type



Take-Up Rates and Coverage Rates in Firms Offering Health Benefits by Firm Type



Note: The employer offer rate is the percentage of firms that offered their employees some form of health insurance. Take-up rates are average rates for surveyed employees offering health insurance, weighted by eligible employees. Coverage rates are average rates for surveyed employees offering health insurance, weighted by all employees.

EMPLOYER INSURANCE MARKET

2016 Offer, Take-Up, and Coverage Rates among Firms with Part-Time Employees

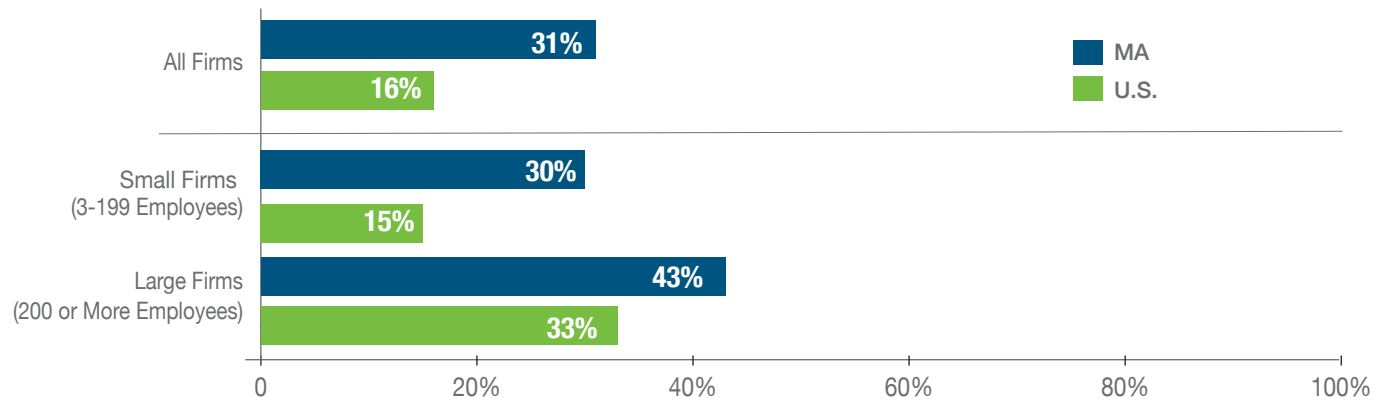
In Massachusetts, 31% of employers offered health insurance to part-time workers, almost double the national offer rate of 16%. Small firms were less likely than large firms to offer health insurance to part-time workers (30% vs. 43%).

Since actual take-up and coverage rates among part-time workers are not available, overall rates at firms with high or low proportions of part-time workers are provided.

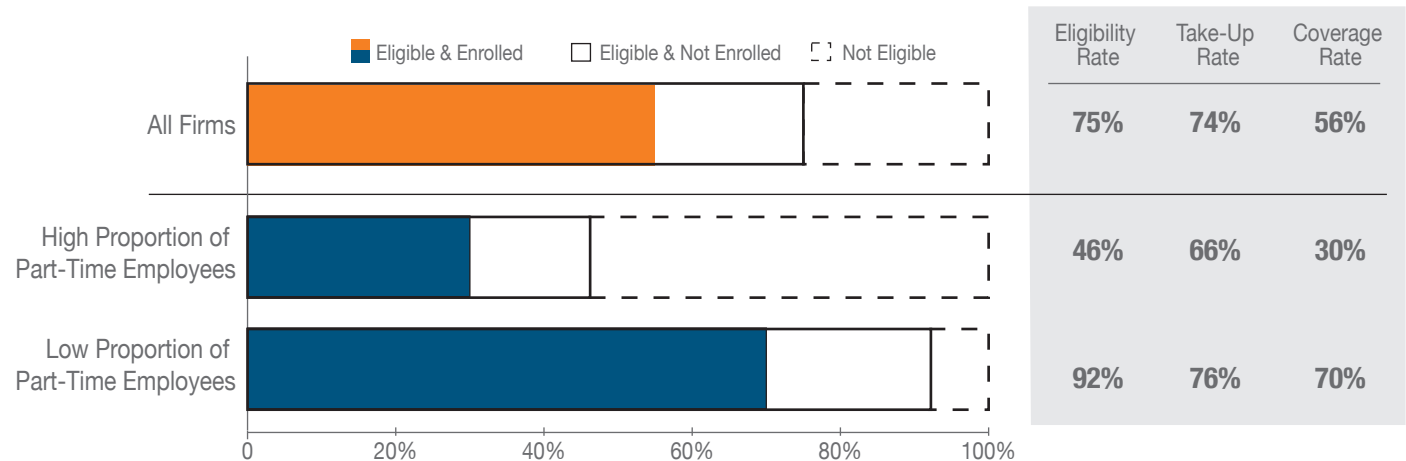
At firms with a high proportion of part-time workers, less than half of employees (46%) were eligible for their firm's health insurance, and 66% of these eligible employees took up insurance with their employer's health plans. Among these firms, 30% of all employees received health coverage from their employers.

In contrast, most employees (92%) at firms with a low proportion of part-time workers were eligible for their firm's health insurance, and 76% of these eligible employees took up insurance with their employer's health plans. Among these firms, 70% of all employees received health coverage from their employers.

Offer Rates to Part-Time Employees by Firm Size



Take-Up Rates and Coverage Rates in Firms Offering Health Benefits by Firm Type



Note: The employer offer rate is the percentage of firms that offered their employees some form of health insurance. Take-up rates are average rates for surveyed employers offering health insurance, weighted by eligible employees. Coverage rates are average rates for surveyed employers offering health insurance, weighted by all employees. U.S. data are drawn from the 2016 Kaiser/HRET Employer Health Benefits Annual Survey Report.

Cost-Sharing Among Employers and Employees

The MES reports cost-sharing information for the **health plan with the firm's highest enrollment**. In this section, information is reported on total premium costs, employer and employee contribution towards premium cost, average annual deductibles, out-of-pocket limits, and copayment amounts.

Findings in this section include:

- In Massachusetts, the 2016 average monthly premium was \$538 for single coverage and \$1,487 for family coverage.
- For both single and family coverage, small firms required employees to contribute substantially more towards their premiums than large firms.
- The annual average deductible for single coverage was \$1,065 in 2016.
- The out-of-pocket limit was 25% more at small firms than large firms.

COST-SHARING

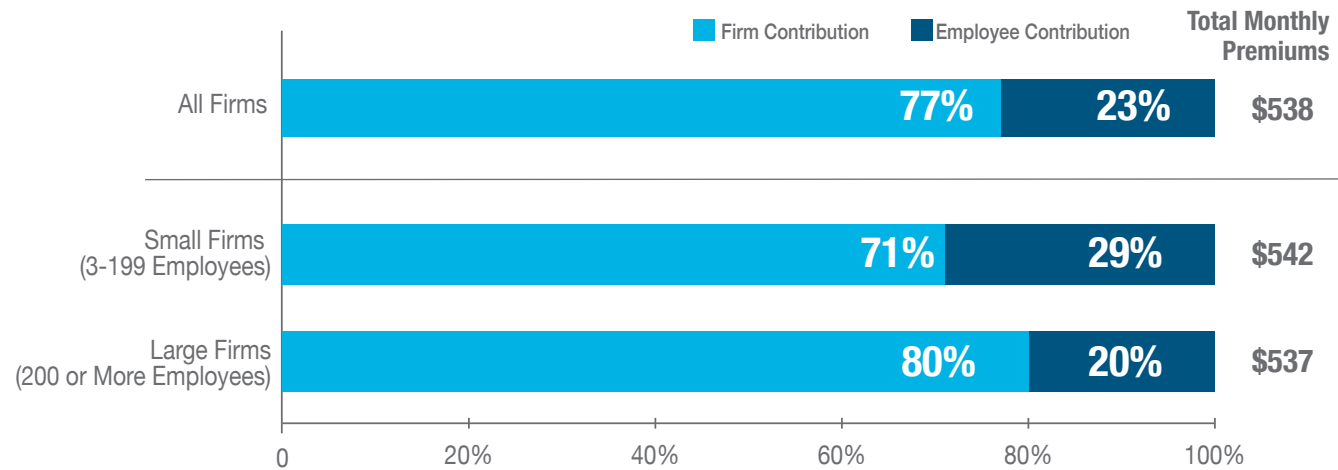
2016 Health Insurance Premiums

In 2016, the average monthly premiums for single and family coverage in Massachusetts were \$538 and \$1,487, respectively. For both single and family coverage, employees at small firms contributed more to total premiums than employees at large firms.

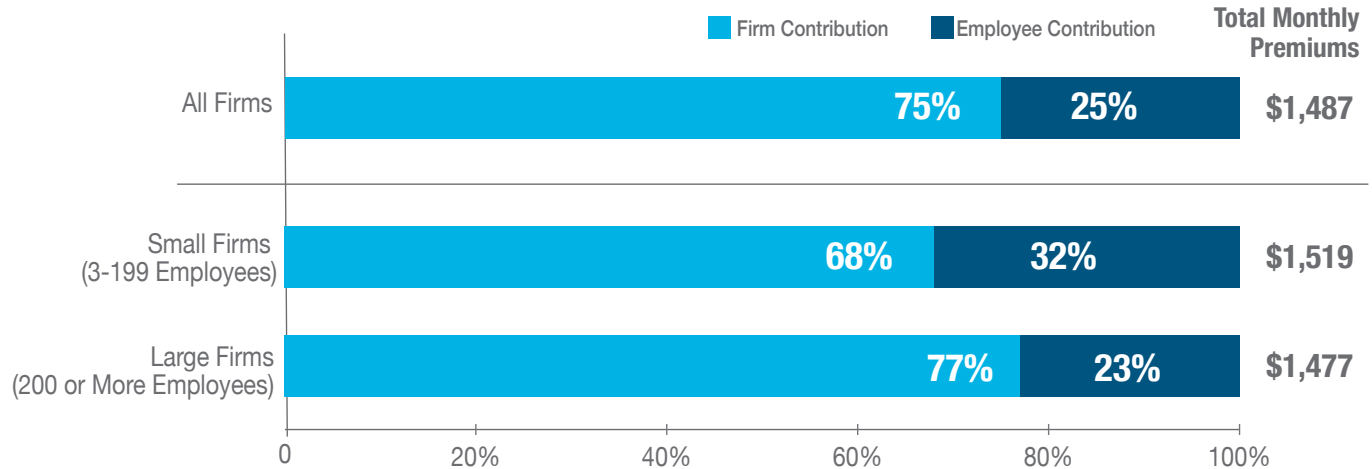
For single coverage, employees at small firms paid a higher percentage of the total premium (29%) than employees at large firms (20%). This means that employees at small firms paid 46% more for single coverage than employees at large firms (\$159 compared to \$109).

For family coverage, Massachusetts employees at small firms contributed a greater percentage to the family premium cost than large firms (32% vs. 23%). As a result, employees at small firms also paid 45% more in family premium than workers at large firms (\$488 vs. \$336).

MA Premium Contributions for Single Coverage by Firm Size



MA Premium Contributions for Family Coverage by Firm Size



Note: MA average premium costs based on plan with the highest enrollment at a firm. Premiums are weighted by covered employees.

COST-SHARING

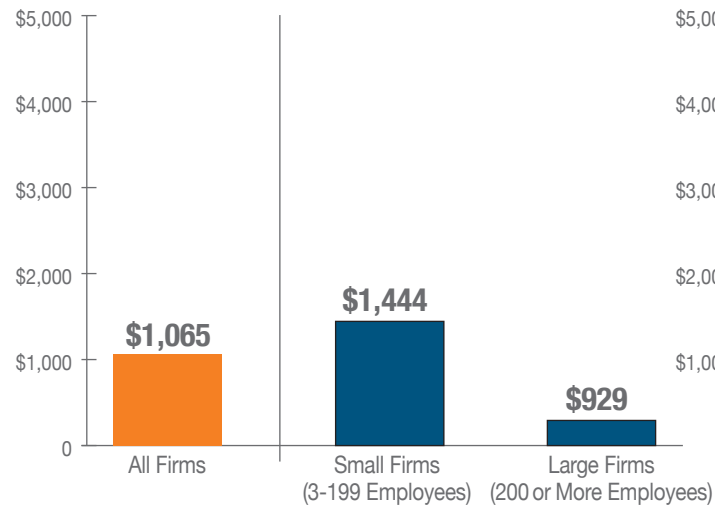
2016 Deductibles, Out-of-Pocket Limits, and Copays

In 2016, the average annual deductible for a single coverage health plan was \$1,065. Deductibles were substantially higher for small firms than large firms (\$1,444 vs. \$929).

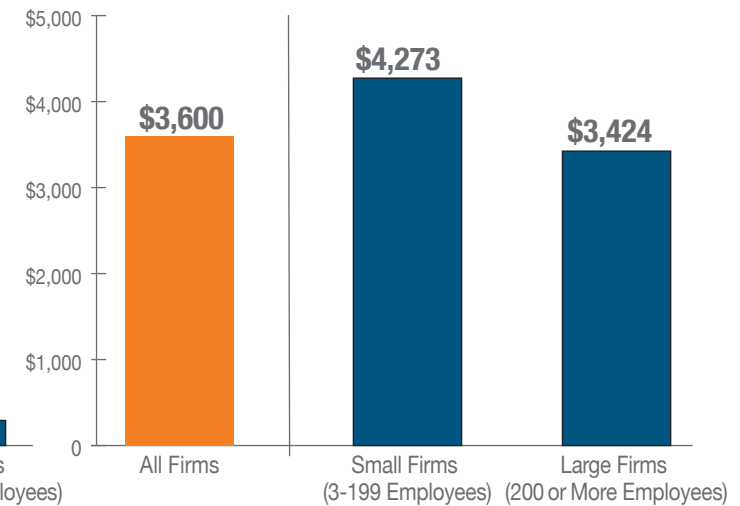
The average annual out-of-pocket limit for single coverage was \$3,600. The out-of-pocket limit was 25% more at small firms than large firms.

Copayment amounts for medical services were generally similar in large and small firms with the exception of inpatient hospitalization (\$480 at small firms compared to \$375 at large firms).

Average Annual Deductibles by Firm Size



Average Annual Out-of-Pocket Limits by Firm Size



Average Copayments by Firm Size

Type of Copayments	Small Firms (3-199 Employees)	Large Firms (200 or More Employees)	All Firms
PCP Office Visit	\$24	\$22	\$23
Mental Health Office Visit	\$26	\$23	\$24
ED Visit	\$177	\$161	\$165
Inpatient Visit	\$480	\$375	\$396
Generic Drug	\$14	\$12	\$13
Non-Preferred Brand Drug	\$57	\$66	\$63
Preferred Brand Drug	\$34	\$36	\$36

Note: Out-of-pocket limit is the most that an enrollee has to pay for covered services in a plan year. After the enrollee spends this amount on deductibles, copayments, and coinsurance, the health plan pays 100% of the costs of covered benefits. Average deductibles, out-of-pocket limits and copays are based on the plan with the highest enrollment at a firm. Deductibles and out-of-pocket limits are based on single coverage for in-network providers.

Plan Offering, Enrollment, and Funding

This section provides information on the characteristics and funding source of insurance plans that are available to and adopted by employees. Offer rates and enrollment rates for different plans are presented, including high deductible health plans with savings options. Additionally, the offer rates and enrollment rates for alternative plan designs and self-funded plans are provided. Note, all enrollment data presented in this report is based on covered employees and **does not include dependents**, and therefore is not directly comparable to enrollment data from other CHIA reports.

Findings in this section include:

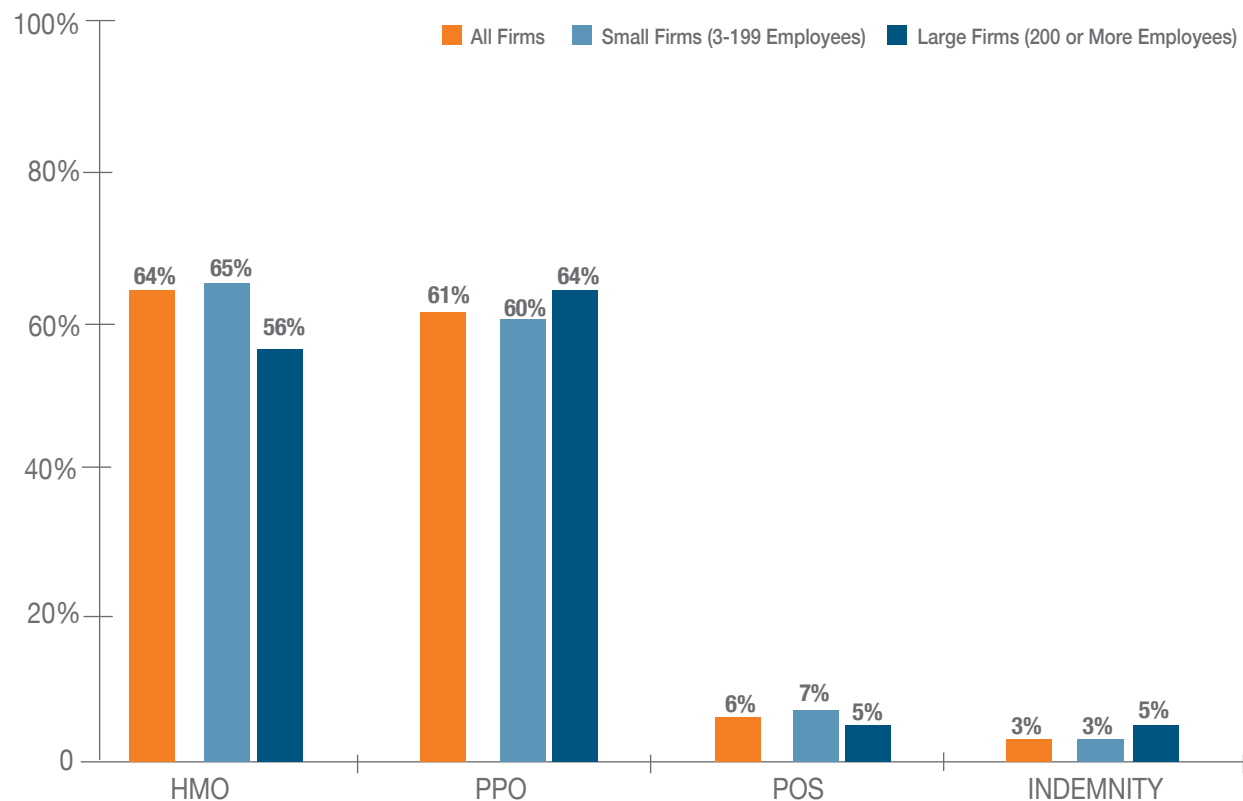
- Both Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) plans were offered by the majority of firms of all sizes. HMO plans were the plan type most frequently offered by firms in Massachusetts (64%), followed by PPO plans (61%).
- While small and large firms both offered HMOs and PPOs at similar rates, the plans chosen by employees varied by firm size. More than half of covered workers in small firms were enrolled in HMO plans; nearly two-thirds of covered workers at large firms were enrolled in PPO plans.
- Large firms were more likely than small firms to offer value-based insurance designs; nearly one-fifth (18%) of large firms offered this type of plan, compared with less than 2% of small firms.
- Though large firms were twice as likely as small firms to offer high deductible health plans with savings options (60% vs. 30%), enrollment was higher among employees working at small firms than large firms (30% vs. 19%).
- Nearly one-fifth of Massachusetts firms reported self-funding one or more of their health plans, and enrollment in self-funded plans was much higher among large firms than small firms (57% vs. 18%).

2016 Employer Plan Offerings

In 2016, HMO and PPO plans were offered by a majority of employers, regardless of firm size. HMO and PPO plans were offered at similar rates, 64% and 61%, respectively.

Small firms in Massachusetts slightly preferred to offer HMOs over PPO health plans, and large firms slightly preferred to offer PPOs over HMO plans.

Plan Offering by Firm Size



Note: Because survey respondents were allowed to select all four plans, percentages do not add up to 100%.

OFFERING ENROLLMENT FUNDING

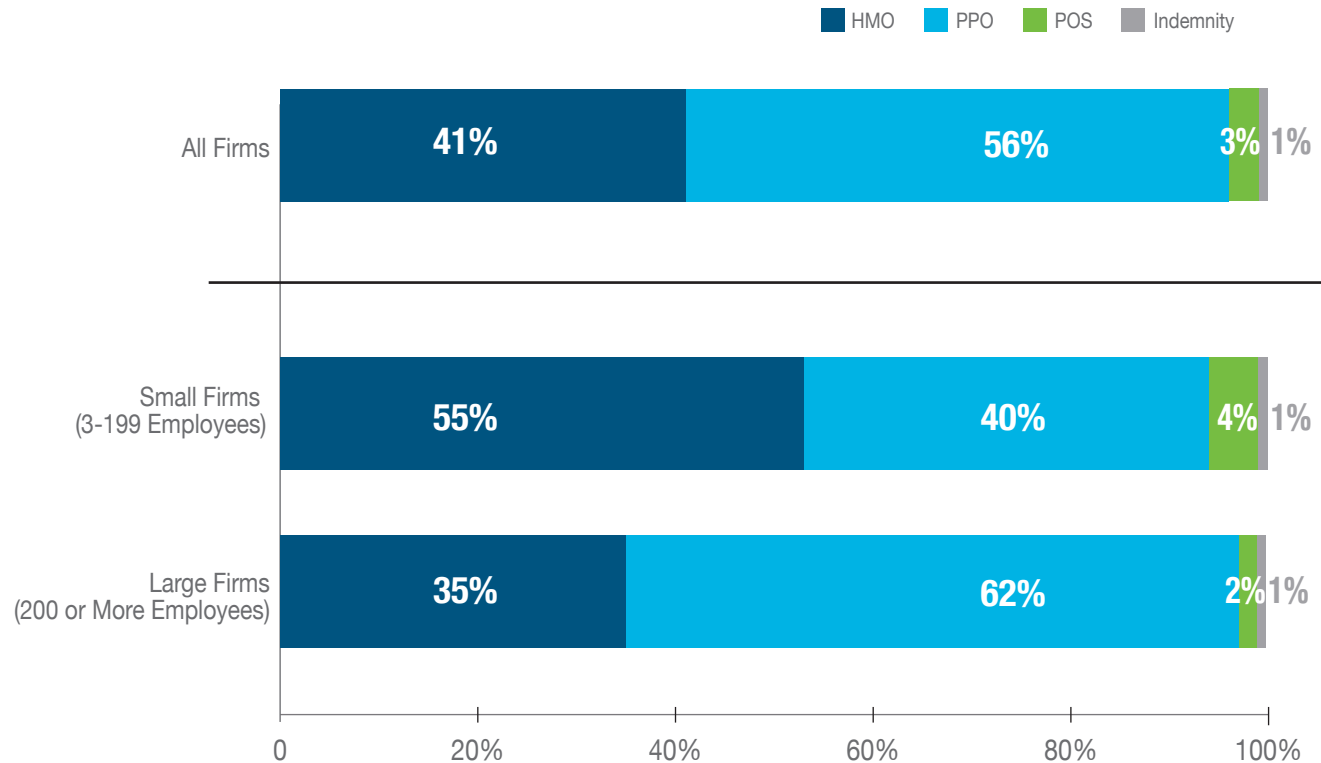
2016 Enrollment by Health Plan Type

Even though HMO and PPO plans were offered at similar rates across firm sizes, plan enrollment rates varied by firm sizes.

Over half of Massachusetts employees with health insurance through their employers were enrolled in a PPO plan (56%). About four out of ten covered Massachusetts employees (41%) were enrolled in an HMO. Three percent of employees were enrolled in a POS plan. Approximately 1% were enrolled in an indemnity plan.

Enrollment in health plan types differed by firm size. Among small firms, a little over half of covered workers were enrolled in HMO plans, and about 40% were enrolled in PPO plans. Among large firms, nearly two-thirds (62%) were enrolled in a PPO, and over one-third (35%) were enrolled in an HMO. Enrollment in POS and indemnity plans was 5% or less across these firm size categories.

Plan Type Enrollment by Firm Size



Notes: Enrollment numbers include only covered employees and do not include dependents. Public employees are not included in this data. Percentages may not add to 100% due to rounding.

OFFERING ENROLLMENT FUNDING

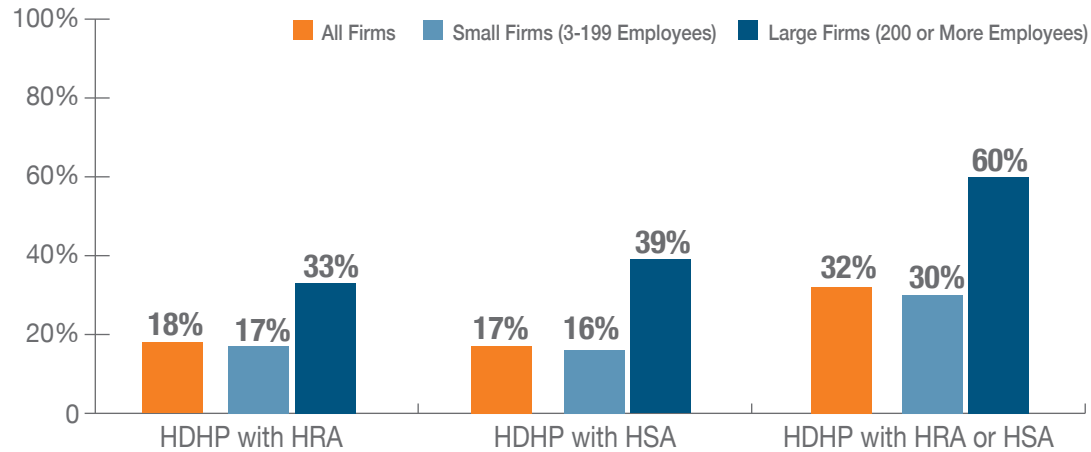
2016 Offer and Enrollment of Savings Options with High Deductible Health Plans

In 2016, about one-third (32%) of all firms offered a savings option—Health Reimbursement Accounts (HRAs) or Health Savings Accounts (HSAs)—to employees selecting a high deductible health plan (HDHP).

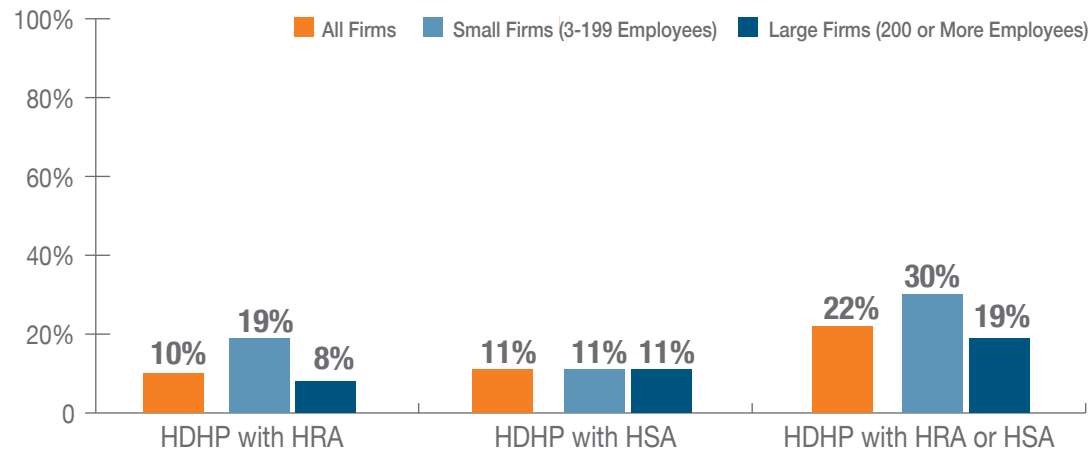
Large firms were twice as likely as small firms to offer an HRA or HSA with the HDHP (60% vs. 30%). Overall, small firms slightly preferred to offer HRAs over HSAs (17% vs. 16%), while large firms preferred to offer HSAs over HRAs (39% vs. 33%).

More than one-fifth of Massachusetts employees were enrolled in a savings option with HDHP (22%). Though large firms offered HDHPs with savings options at a higher rate, these plans were chosen more often by employees working at small firms (30% vs. 19%).

Offer Rates of Savings Options with High Deductible Health Plans by Firm Size



Enrollment Rates of Savings Options with High Deductible Health Plans by Firm Size



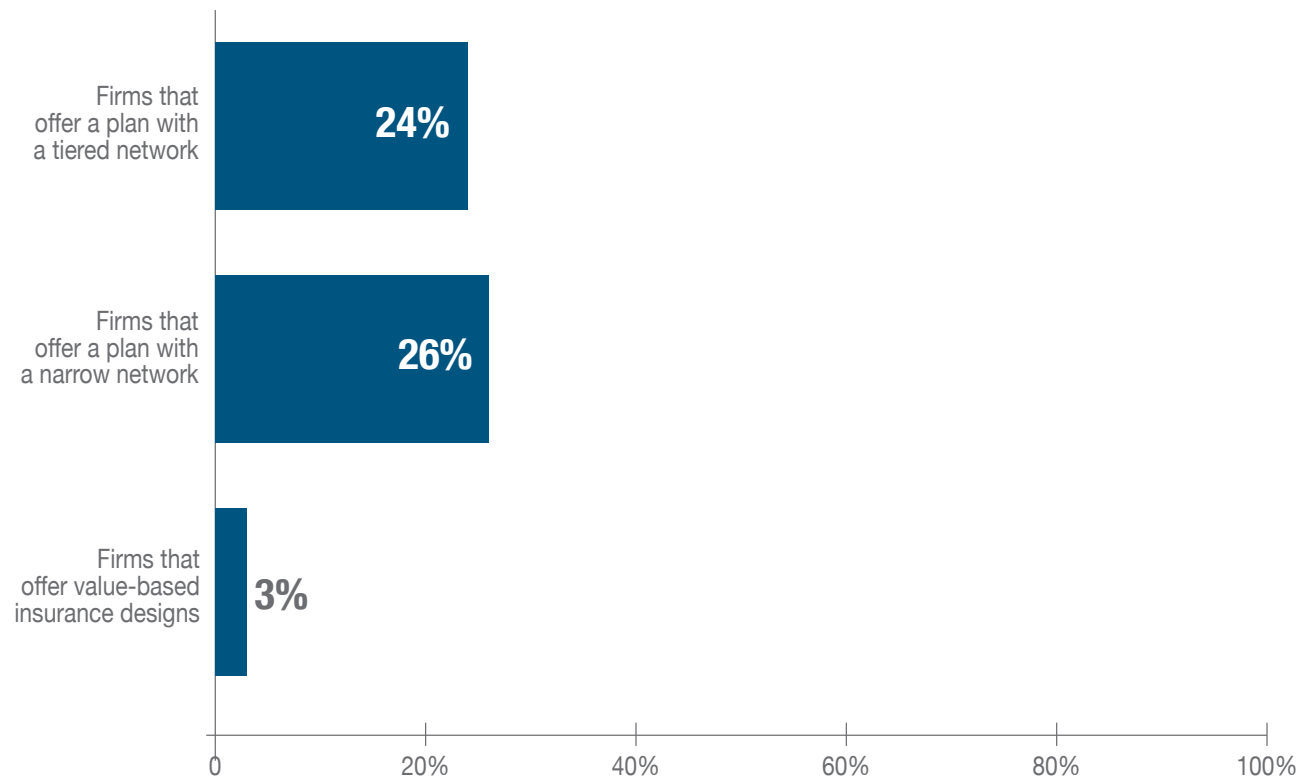
Notes: Enrollment numbers include only covered employees and do not include dependents. Public employees are not included in this data.

2016 Offering of Alternative Plan Designs

In 2016, a quarter of Massachusetts firms offered a plan with a tiered network (24%), and roughly the same proportion of firms offered a plan with a narrow network (26%).

In terms of value-based insurance designs (VBIDs), plans that waive copays for treatment of chronic conditions, only 3% of all firms offered this plan design. At the same time, large firms were more likely than small firms to offer value-based insurance designs; nearly one-fifth (18%) of large firms offered VBIDs, compared with less than 2% at small firms.

Tiered Network, Narrow Network, and Value-Based Insurance Designs

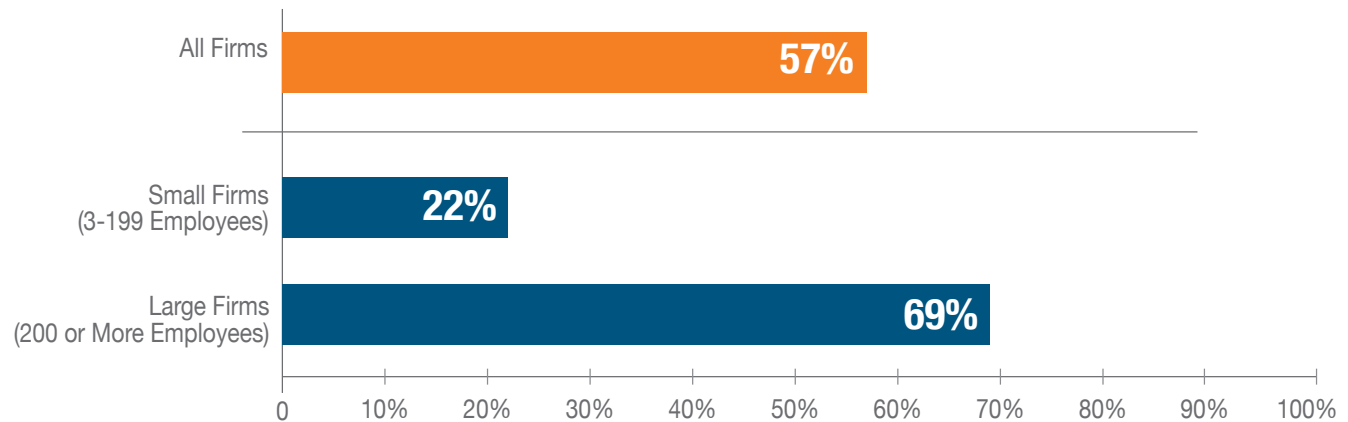


2016 Self-Funded Plans and Enrollment

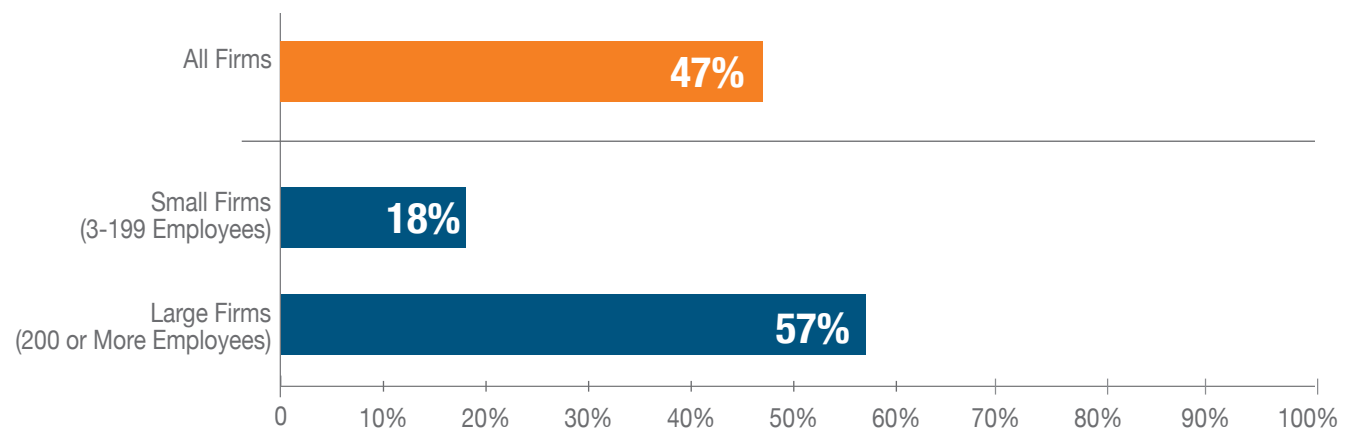
In 2016, about 19% of Massachusetts firms offered at least one plan that was self-funded. Overall, 57% of Massachusetts covered employees were offered a self-funded plan. Employees at large firms were more likely than those at small firms to be offered a plan that was self-funded (69% vs. 22%).

Almost half of Massachusetts covered employees were enrolled in a self-funded plan (47%). Enrollment was much higher among large firms than small firms. Fifty-seven percent (57%) of employees at large firms were enrolled in self-funded plans as compared to 18% of employees at small firms.

Percent of Employees Offered Self-Funded Plans by Firm Size



Percent of Employees Enrolled in Self-Funded Plans by Firm Size



Notes: In the survey, employers are asked about plans that are self-funded, which is also defined as self-insured plans. Enrollment numbers include only covered employees and do not include dependents. Public employees are not included in this data.

Decision Making among Employers on Health Insurance

The decisions made by Massachusetts employers about whether to offer health insurance and in selecting carriers and health plans have important impacts on the health care marketplace. The MES highlights some of the primary factors influencing employers' decisions. The 2016 MES asked employers about the most important reasons for offering and not offering insurance. Additionally, the MES explored employer strategies to control costs that have worked in the past, as well as those enacted within the past year.

Findings in this section include:

- Employers most commonly cited “employee retention and recruitment” among reasons for offering health insurance.
- The most important factors in selecting a carrier and health plan offering were the “cost of the plan” and “the provider network”.
- For those firms with fewer than 50 employees not offering insurance, “employees covered under another health plan” was most commonly cited as the reason.
- Employers cited “increased copayments and deductibles” as a cost control strategy that was effective based on prior experience (48%) and was enacted within the past year (40%), but “increasing the employee contribution to premiums” was not commonly cited as effective (8%) and was not often enacted (6%).

DECISION MAKING

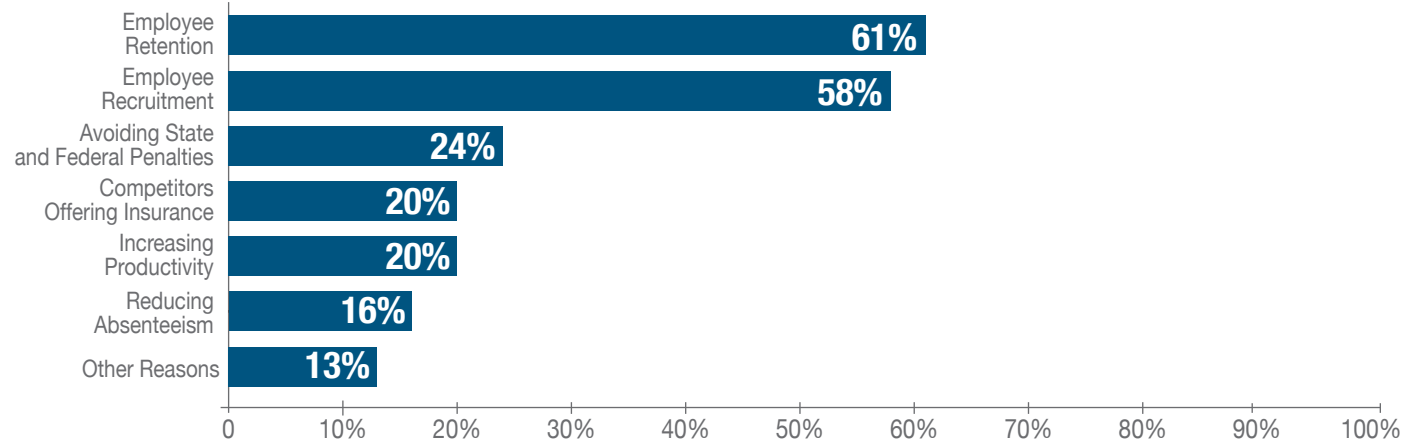
2016 Employer Reasons for Offering Insurance and Selecting Health Plans

In 2016, Massachusetts employers most commonly cited employee retention (61%) and employee recruitment (58%) as the most important reasons for offering health insurance. The third most common reason cited was avoiding state and federal penalties.

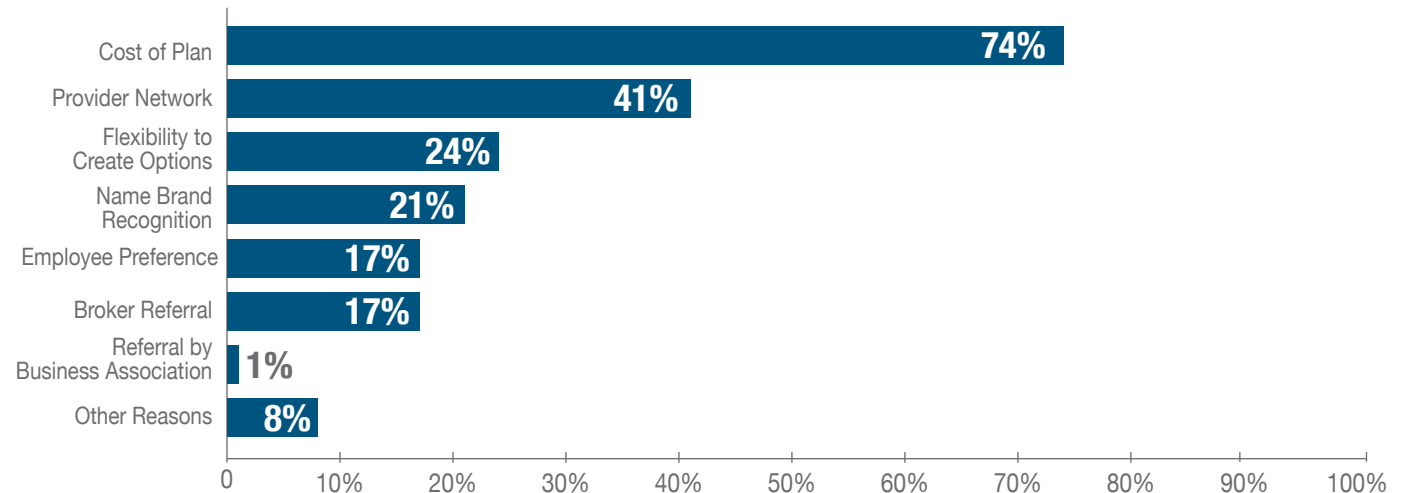
Regarding a firm's business decision to select a health insurance carrier or plan, Massachusetts employers reported "cost of plan" as the most important selection criterion (74%). The "provider network" was the next most important factor (41%).

The "provider network" was a more commonly cited factor at large firms (68%) than at small firms (39%). Similarly, the "flexibility to create options" for a health plan was cited more often by large firms (48%) in comparison to small firms (22%). Both large and small firms cited "cost of plan" as one of the most important factors (83% for large firms; 74% for small firms).

Reasons Employers Offer Insurance



Reasons Employers Select Certain Carriers/Plans



Note: Because survey respondents were allowed to select up to three reasons for these questions, percentages do not add up to 100%.

DECISION MAKING

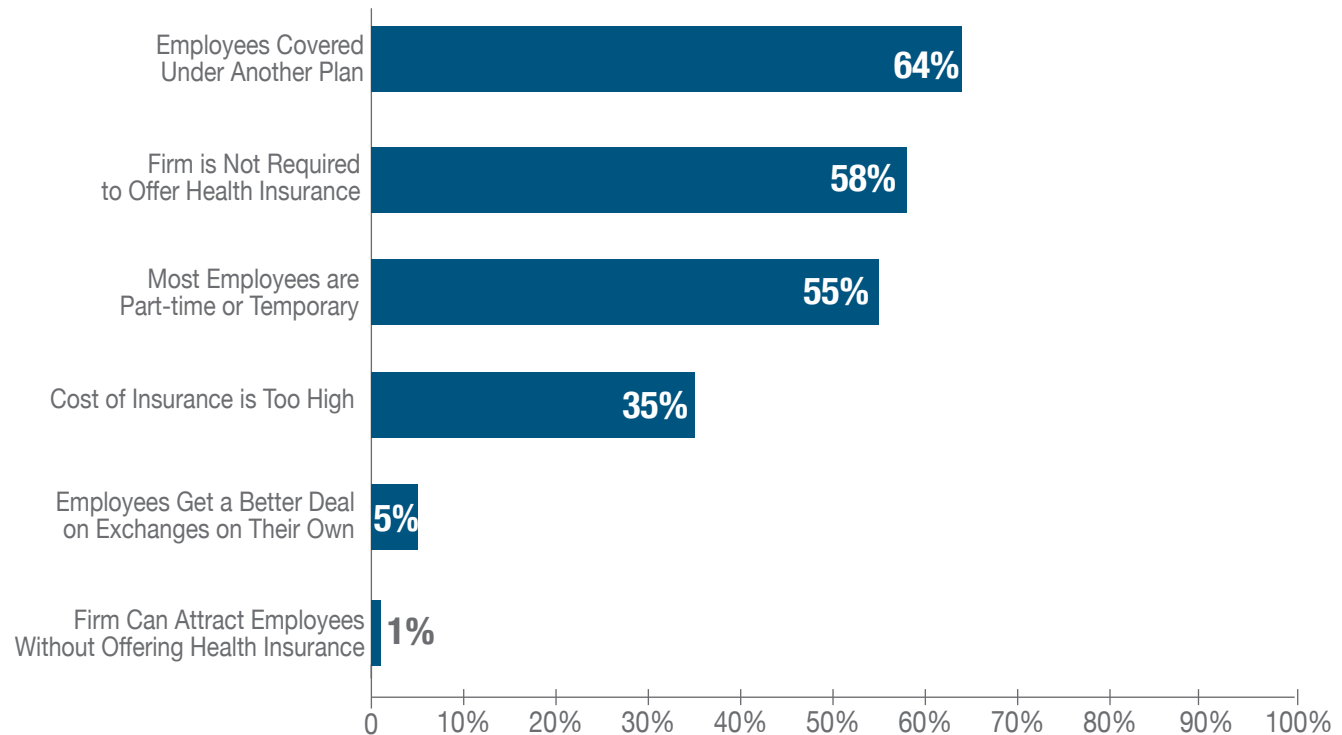
2016 Employer (fewer than 50 Employees) Reasons for Not Offering Insurance

In 2016, firms that did not offer health insurance to their employees were typically small (fewer than 50 employees).

Firms who did not offer health insurance cited “employees are covered under another plan, including coverage on a spouse’s plan, Health Connector, or MassHealth” (64%) as an important reason. Other common reasons cited for not offering insurance included:

- Firm is not required to offer health insurance due to small size (58%);
- Most employees are part-time or temporary workers (55%); and
- Cost of insurance is too high (35%).

Reasons Why Firms (fewer than 50 employees) Do Not Offer Insurance



Note: Because survey respondents were allowed to select up to three reasons for this question, percentages do not add up to 100%.

DECISION MAKING

2016 Employer Cost Control Strategies

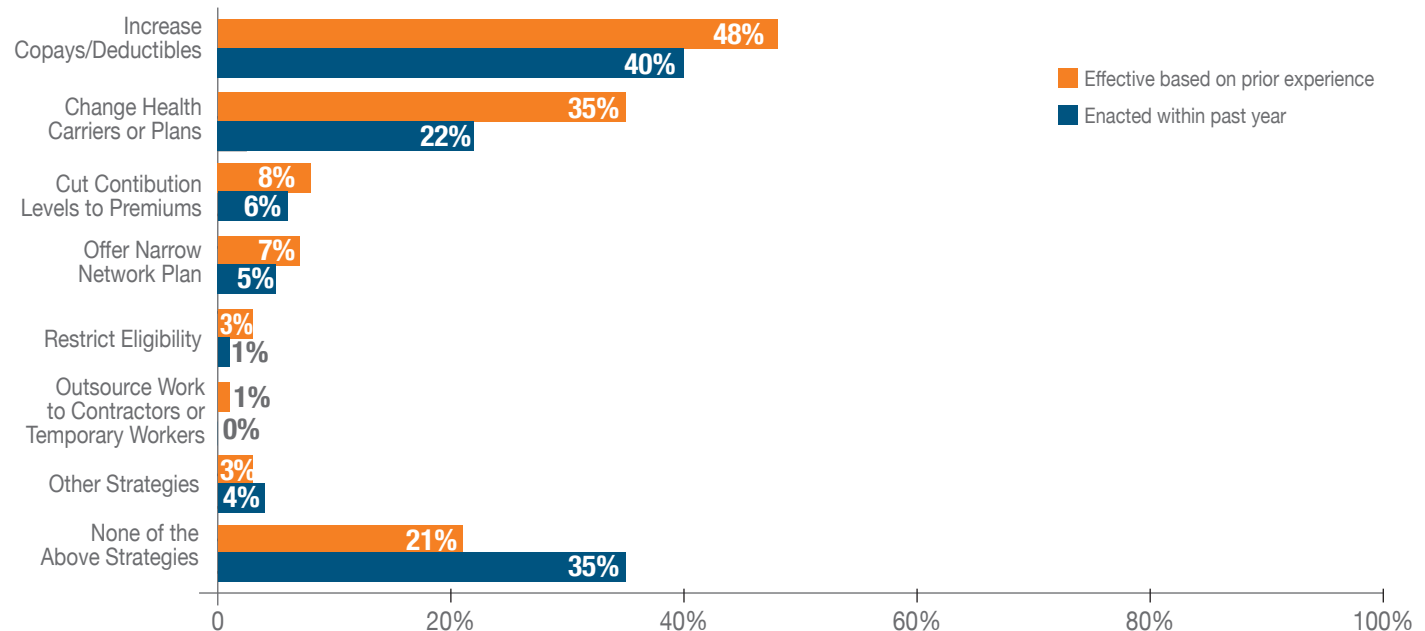
In 2016, Massachusetts employers most commonly cited increasing copayments/deductibles as the most effective cost control strategy (48%) based on prior experience, and many employers (40%) enacted it within the past year. Only a small percentage of employers cited cutting contribution amounts to premiums as an effective strategy (8%) and few enacted that strategy within the past year (6%).

The second most effective strategy cited was to change health carriers or plans (35%). Over one-fifth (22%) of employers said they made changes within the past year.

More than one-third of employers (35%) said that none of the listed cost control strategies had been enacted within the past year.

A small percentage of firms reported enacting other strategies to control costs that were not on the list. As shown in the word cloud, these strategies included wellness programs, HDHP with HRA or HSA, pharmacy carve outs, and spousal surcharge, among others.

Cost Control Strategies: Considered Effective/Enacted



Other Strategies



Notes: The MES asked employers about what strategies were most effective in controlling costs based on the firm's prior experience, and what cost control strategies they had enacted within the past year. Because survey respondents were allowed to select more than one reason for these questions, percentages do not add up to 100%.

About the Methodology

The MES was conducted on a bi-annual basis from 2001 through 2009, then in 2010, 2011, and 2014. In 2016, the survey was redesigned to better reflect changes in the health insurance markets and changing state priorities for health care reform. Going forward, the survey will be fielded on a bi-annual basis.

A sample of employers was drawn from Dun's Market Identifiers (DMI) business database. The sampling frame includes employers with at least 3 employees in Massachusetts and excludes federal and state employers. The sample was stratified by seven employer size categories (3-9, 10-24, 25-49, 50-199, 200-999, 1000-4999, 5000+). A total of 910 surveys were completed by health benefits managers over mail, telephone, or online, with a 37% response rate.* The firm size categories for the analyses presented in this report were based on the self-reported number of employees in Massachusetts. Weighting adjustments were applied to address differences in sample selection and response rates. Post-stratification by firm size and industry was also implemented.

In 2016, the redesigned MES defined an employer as a firm that could encompass multiple locations (previously, the MES sampling unit was at the worksite level). A panel design was also adopted to track individual employer's responses over time.

Because of changes to the survey design in 2016, the current data was reweighted from firms to establishments to make the 2016 data comparable to data from previous survey years.

New topics in 2016 included small firms' (<100 employees) use of the Health Connector and awareness of tax credits and rebates through the Connector, employer decision-making processes behind the selection of health plans, offer and adoption of savings options with high deductible health plans, adoption of alternative payment methods and value-based insurance designs, as well as the use of private exchanges.

Sampling, data collection, and analysis were conducted by John Snow Inc. (JSI) and the National Opinion Research Council (NORC) at the University of Chicago in collaboration and under contract with CHIA. Additional information on the survey methodology can be found in the field report at <http://www.chiamass.gov/assets/docs/r/survey/Massachusetts-Employer-Survey-Field-Report-CHIA-2016.pdf>.

* The response rate varied significantly by firm size, with the lowest response rates among firms with three to nine employees and 1,000 or more employees. All other firm size categories had response rates in the 40s, with the exception of firms with 50 to 99 employees, for which there was a 50% response rate.

Glossary of Terms

Alternative Payment Methods (APMs): Payment methods used by a payer to reimburse health care providers that are not solely based on the fee-for-service basis.

Copayment: A fixed amount defined in an insurance policy and paid by a member each time a medical service is accessed.

Cost-sharing: The amount of an allowed claim the member is responsible for paying. This includes any copayments, deductibles, and coinsurance payments for the services rendered.

Deductible: This is a fixed dollar amount a member must pay each year before the health plans begin paying benefits for the member. This is a separate charge from any copays.

Family coverage: A health plan that covers the employee and family members (e.g., spouse/domestic partner, and/or children).

Health Maintenance Organization (HMO): Plans with a closed network of providers, outside of which non-emergency coverage is not provided; generally require members to coordinate care through a PCP.

Health Reimbursement Arrangement (HRA): HRA is an account funded on a pre-tax basis only by an employer, not the worker, and the funds are not portable from job to job. Employees use the funds for medical care or services.

Health Savings Account (HSA): Medical savings accounts available to employees enrolled in a high deductible health plan. Pre-tax contributions can be made by both employees and employers and can be used to pay for qualified medical expenses. Unspent funds roll over year to year and job to job.

High Deductible Health Plans (HDHPs): As defined by the Internal Revenue Service, health plans with an annual single deductible of at least \$1,300 and a family deductible of at least \$2,600 for in-network or preferred providers in 2016.

Limited Network Health Plans: A limited network plan is a health insurance plan that offers members access to a reduced or selective provider network, which is smaller than the payer's most comprehensive provider network within a defined geographic area and from which the payer may choose to exclude from participation other providers who participate in the payer's general or regional provider network. This definition, like that contained within Massachusetts Division of Insurance regulation 211 CMR 152.00, does not require a plan to offer a specific level of cost (premium) savings in order to qualify as a limited network plan.

Glossary of Terms (continued)

Out-of-pocket limit: The maximum amount that an enrollee has to pay for covered services in a plan year. After the enrollee spends this amount on deductibles, copayments, and coinsurance, the health plan pays 100% of the costs of covered benefits.

Point of Service (POS): Plans that require members to coordinate care through a PCP and use in-network providers for the lowest cost-sharing. As with PPO plans, out-of-network providers are covered at a higher cost to the member.

Preferred Provider Organization (PPO): Plans with a network of “preferred providers,” although members may obtain coverage outside the network at higher levels of cost-sharing; generally do not require members to select a PCP.

Premium: The full amount the policy-holder and/or their sponsor (e.g., employer) pays to the health plan to purchase health coverage.

Self-funded plans: Plans are self-insured, where an employer takes on the financial responsibility and risk for its employees’ and employee-dependents’ medical costs, paying payers or third party administrators to administer their claims.

Single coverage: A health plan that covers the employee only.

Tiered Network Health Plans: Plans that segment their provider networks into tiers, with tiers typically based on differences in the quality and/or the cost of care provided. Tiers are not considered separate networks, but rather sub-segments of a payer’s HMO or PPO network. A tiered network is different than a plan only splitting benefits by in-network vs. out-of-network; a tiered network will have varying degrees of payments for in-network providers.

Value-based insurance designs (VBIDs): Plans that use financial incentives to promote cost efficient health care services and consumer choices. For example, these plans can waive copays or reduce the costs of diabetes drugs and supplies to provide financial incentives for diabetic employees to participate in disease management programs.

Notes

- ¹ The 2016 MES sample has shifted to capture responses from firms (e.g., CVS Pharmacy as an organization) rather than establishments (e.g., an individual CVS Pharmacy worksite), as decision making about health benefits is almost always made at the firm rather than the establishment level. The 2016 MES estimates should be considered a new baseline and estimates should not be directly compared to estimates from earlier years of the survey. Due to changes in methodology, some of the changes in the survey estimates over time may be due to the survey design change rather than underlying changes in employer health insurance market in Massachusetts. Trends presented in this report are reweighted estimates that should be treated with caution. See [field report](#) for more details.
- ² Ibid.
- ³ Ibid.



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