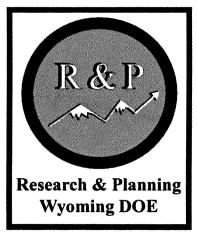
Wyoming Department of Employment

PRIVATE SECTOR EMPLOYEE ACCESS TO HEALTH INSURANCE AND THE POTENTIAL WYO-CARE MARKET



Private Sector Employee Access to Health Insurance and the Potential Wyo-Care Market

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Table of Contents

Introduction vii

Results in Brief ix

Section 1: Structure of Compensation and the Potential Wyo-Care Market 1

- Chapter 1: Statewide 5
- Chapter 2: Leisure & Hospitality 19
- Chapter 3: Retail Trade 29
- Chapter 4: Mining 39
- Chapter 5: Construction 49
- Chapter 6: Wholesale Trade, Transportation, & Utilities 59
- Chapter 7: Manufacturing 69
- Chapter 8: Information 79
- Chapter 9: Financial Activities 89
- Chapter 10: Professional & Business Services 99
- Chapter 11: Education & Health Care 109
- Chapter 12: Other Services 119
- References 129
- Technical Notes 130

Section 2: Focus Group Participant Questionnaire and Discussion Responses Concerning Wyo-Care Accounts 135
Methods 135
Results From the Paper and Pencil Questionnaire 136
Summation to Paper and Pencil Questionnaire Results 137
Results From Focus Group Conversation 137
Willing but With Issues to be Resolved 137
Scope Limitations 138
The Naysayers 139
Other Issues 139
Researcher Observations and Discussion of Focus Group Conversations 140
Suggestions Regarding System Requirements 141
Potential Future Work 142
References 143
Figures 145
Section 3: Employer Mail Survey Findings 153
Results in Brief 153
Introduction 154
Methodology 155

Results and Discussion 157
Conclusion 187
References 189
Technical Notes 190
Appendix A: Summary Estimates of Benefits Offerings and Cost A1
Appendix B: Firm Characteristics B1
Appendix C: Worker Demographics and Earnings by Residency C1
Appendix D: Detailed Estimates of Eligibility, Benefits Offerings, and Cost D1
Appendix E: Turnover, Tenure, and Employer/Employee Transactions E1
Appendix F: Mail Survey Instrument and Cover Letter F1
Appendix G: Additional Mail Survey Data Tables G1

Introduction

by: Tom Gallagher, Manager

The Wyoming Healthcare Commission Wyo-Care proposal represents a fundamental intervention into the structure of compensation through an innovative program whose primary goal is the expansion of employer-provided health coverage for employees.

The purpose of this report is to provide information on the feasibility of the proposed program. It presents an analysis of the structure of Wyoming's labor market and is intended to contribute to a determination of whether or not the Wyo-Care proposal is viewed by private sector employers as a viable proposal.

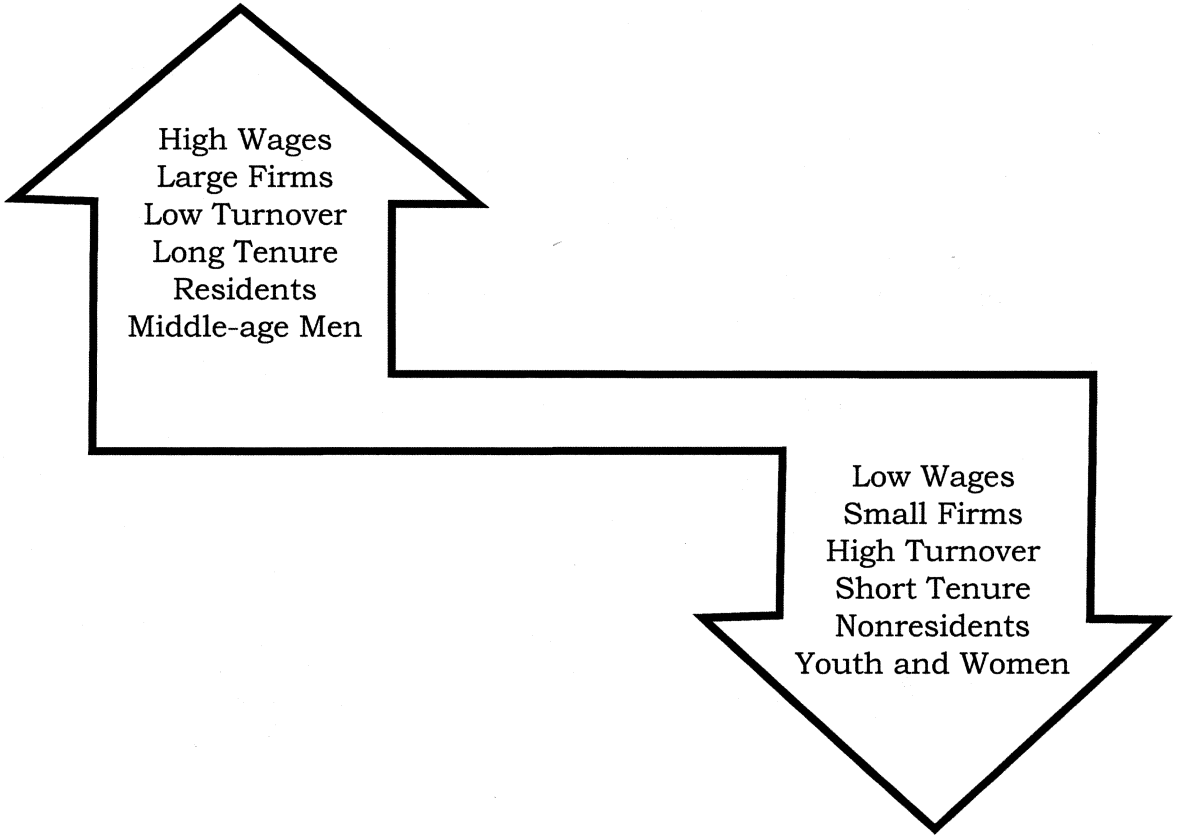
The research represents a cross section in time and was conducted between May and September 2004. The report is presented in three sections. Section 1 follows the Introduction and Results in Brief. It is a narrative and graphic presentation of employer-employee compensation relationships for the state as a whole and industry sectors. Previous versions of this report focused primarily on three industries having characteristics that most clearly illustrate the findings (Leisure & Hospitality, Retail Trade, and Mining). For this final version of the report, we include a brief narrative and figures for each of the remaining industry sectors. Section 2 presents the background and findings for six employer focus group sessions.

As a follow up to the focus group sessions, a random stratified mail survey of employers was conducted to verify the findings and themes of the group sessions. We conducted a survey of 651 randomly selected firms from the Unemployment Insurance accounting system with a response rate of 73.1 percent. The results from the mail survey are presented in Section 3. This Section also includes an extensive discussion of some of the findings unique to the mail survey.

Finally, a series of Appendixes includes estimates of the availability of employer-provided health insurance by firm type and full- and part-time employment. The Appendixes also include the demographics and earnings of all persons who worked in the private sector at any time in Wyoming during 2002 and related statistical information. Also included is the survey instrument used by the focus groups and the mail survey and additional tables created with survey data not shown previously in this report.

Results in Brief

Greater Access to Employer-Provided Health Insurance



Lesser Access to Employer-Provided Health Insurance

Introduction: The Wyoming Healthcare Commission requested an analysis of the employer health benefits market in conjunction with efforts to reduce the number of uninsured in the state. With funding from the Health Resources and Services Administration's State Planning Grant Program, the Wyoming Healthcare Commission partnered with the Wyoming Department of Health and the Wyoming Department of Employment, Research & Planning Section. Employer education, focus groups, and surveys were conducted in 2004 to assess what the issues are behind the reduction of health benefits provision and the potential for a "Wyo-Care" personal health care savings account model to be accepted and utilized.

The Context: Employer-provided benefits represents a key component of employee compensation. During the summer of 2004, unemployment in the state reached historic lows, while employment is growing at a rate faster than can be sustained by the resident workforce. Wyoming's favorable labor market conditions take place in a regional context where the competition for labor, and related pressure on compensation, may be changing course as the jobless recovery from the national recession improves. If we are to understand the pressures on compensation in Wyoming, we need to understand the economic and demographic context within which employers and workers establish mutually beneficial relationships.

An objective of the research is to focus on the potential Wyo-Care market within the context of the structure of compensation and employer/worker relationships. While some of the data may seem dated, structural conditions of employment and compensation tend to persist over time and change only slowly. Industries that have seasonal emplyment patterns at the beginning of the decade, like Leisure & Hospitality, are highly likely to have seasonal patterns of employment for the indefinite future.

Primary Findings

- Wyo-Care is envisioned as being a small employer/low income employee health care coverage and a cost sharing vehicle. Wyo-Care is still under development by the Wyoming Healthcare Commission to assure that the product created maximizes the dollars contributed by employers; employees; and, perhaps, Medicaid and lowers the number of uninsured in the state.

- This report was produced at the request of the Wyoming Health Care Commission.

- There does not appear to be a comprehensive or firmly grounded consensus among employers regarding the reasons for either current prices or rising costs for health insurance. But there is a strong sense that something is very, very wrong.

- A significant segment of private sector employers are changing their compensation strategies and searching for alternatives to their current arrangements with health insurance companies.

- At the core of Wyoming's private sector workforce is a stable segment of the population that is highly tenured (working for the same employer), paid an average of $8,000 per quarter, and has access to health insurance. Outside of this core, however, the worker/employer relationship becomes much more tenuous. Major dividing lines between stable, full-time work, with access to health insurance are associated with industry of employment, firm size, residency, age and gender of the workforce, turnover, and part-time work.

- Rapidly increasing benefits costs appear to constrain salary growth. Not only is a larger proportion of compensation dedicated to paying health care premiums but there also appear to be long-term effects on worker retirement income and employer profitability.

- An estimated 34,832 (19.0%) full-time and 49,018 (88.0%) part-time workers were not offered health benefits in 2002. These workers may benefit from Wyo-Care.

- It appears that the Wyo-Care program may have a niche in Wyoming's labor market. Because compensation tends to increase with firm size, an estimated 2,301 firms with an average size of 10-19 employees and the 1,438 firms with 20-49 employees in low-turnover industries (Manufacturing, Wholesale Trade, Financial Activities, and Education & Health Care) may prove the most promising candidates for the Wyo-Care program.

- Nearly one-quarter of the employers with 10 to 19 employees indicated they would be willing to contribute additional funds for uncovered employees ... almost 80 percent of employers of this size indicated cost was the primary barrier to offering insurance ... the Wyo-Care proposal appears ideal for firms of this size.

- For selected industries (e.g. Construction and Leisure & Hospitality) the Wyo-Care proposal as a strategy to address insurance costs may have limited appeal.

- The Wyo-Care proposal is being put forth as an answer to a problem faced by uncovered employees. However, if employer participation is going to be generated, it needs to be presented to employers in a manner that clearly demonstrates a business advantage to participation.

Other Findings

- Nonresident workers, a growing share of Wyoming's workforce, lack tenure with their employers and are often ineligible for health insurance.

- An additional consideration for the Wyo-Care proposal is the potential for employee contributions. The resident workforce in Manufacturing, Wholesale Trade, Financial Activities, and Education & Health Care tends to earn slightly more than the state average.

- The lack of detailed knowledge, especially among small firms, reinforces the idea that more education is needed to inform employers about how a program like Wyo-Care would work and how it could benefit them.

- Employers express interest in Wyo-Care for both their covered and uncovered employees. Extension of the Wyo-Care proposal to covered employees may help solve a number of existing problems.

- More than a third (35.3%) of all employer comments to an open-ended question asking for suggested solutions to the healthcare/coverage problem involve solutions based on greater governmental involvement.