

## A NEW LIMRA CONSORTIUM STUDY



### What Now for the Under 20 Lives Employer Market? *Benefits Plans in the Health Care Reform Era*

#### Objective:

The U.S. small business market is:

- **Large.** According to the Small Business Administration, there were 4.6 million firms with 1 to 20 employees in 2006, the most recent year for which there are data. These firms accounted for 21.6 million employees earning \$683.7 billion.<sup>1</sup>
- **Growing.** On average, each year since 2000 has seen the birth of 590,000 new businesses with fewer than 20 employees.<sup>2</sup>
- **Volatile.** Small businesses face many challenges in their early years. Only 31 percent of start-ups survive to their seventh year. However, those that make it past the crucial fourth year are likely to experience notable growth in employees.<sup>3</sup>
- **Under insured.** According to recent LIMRA research, about 1 in 2 employers with fewer than 25 employees offers group life or health insurance benefits.<sup>4</sup>

Clearly, the opportunities are many but so too are the challenges especially as the benefits landscape changes in the wake of health care reform legislation. This multi-sponsored consortium study will help sponsors better understand what will drive decision making among small business owners as they manage benefits in the context of the new health care imperatives. It will also explore the issues and implications for brokers selling in this market.

<sup>1</sup> U.S. Small Business Administration, Office of Advocacy, [http://www.sba.gov/advo/research/us\\_06ss.pdf](http://www.sba.gov/advo/research/us_06ss.pdf).

<sup>2</sup> Ibid., [http://www.sba.gov/advo/research/dyn\\_b\\_d8906.pdf](http://www.sba.gov/advo/research/dyn_b_d8906.pdf).

<sup>3</sup> Amy E. Knaup and Merissa C. Piazza, "Business Employment Dynamics data: survival and longevity, II" *Monthly Labor Review*, September 2007.

<sup>4</sup> LIMRA, *Serving Up Small Businesses: Marketing Insurance and Employee Benefits to the Small-Business Market*, 2006.

## **Benefits:**

Sponsoring companies will learn about how very small employers engage in the selection of benefits and benefits providers and how health care reform will impact decision making behavior. While specific content for the project will be determined by the study sponsors, we anticipate the project will cover such things as:

- Issues small employers face as they approach benefits decision making
- Perceived impact of the legislative changes.
- Assistance needed to make appropriate decisions
- Distribution preferences.
- Carrier expectations.
- Information sources.
- The role of voluntary benefits.
- Service preferences.

In addition, the study will explore such issues as:

- How the decision to offer benefits is made and decision criteria used.
- How trade-offs are made in the selection of benefits being offered.
- How benefit administration is handled.
- How technology is changing expectations for service and communication.

The study will consider a range of medical benefits and non-medical benefits from medical, limited medical, dental, and pharmacy benefits; to life and disability benefits; and voluntary/worksites benefits.

## **Methodology:**

The project will take place in two phases each of which will be preceded by a meeting (or teleconference) of the sponsors. In these sessions, companies who commit to sponsorship will be encouraged to participate in the design of the data collection instruments.

- **Phase I:** First, a series of six focus groups will be convened in three geographically dispersed cities. In each location, one group will be composed of individuals responsible for employee benefits in firms with under 20 employees, the other with brokers who have a significant portion of their business in the employee benefits market. These sessions will be used to tap the attitudes, opinions, and experiences of the participants.
- **Phase II:** Based on information gleaned from the focus group discussions, a Web-based quantitative survey will be drafted and conducted among individuals who have at least some role in the employee benefits decision making. In total, 800 responses will be collected. Six hundred will come from employers that offer at least one employee benefit plan. This group will be evenly split between firms with 2-9 employees and firms with 10-19 employees. The final 200 responses will come from employers who offer no employee benefits at the current time. The survey will be designed for completion in 15 minutes.

The project will conclude with a presentation to all sponsors.

## Time Frame

We anticipate the project will begin in the first quarter of 2010. The exact timing will depend upon the enactment of the health care bill. Once the measure is passed, we want to provide employers a minimum of 6-8 weeks before engaging them in the research. This will provide an opportunity to familiarize themselves with the reforms, consider the impact of the reforms on their organization, and develop a set of questions or concerns about the reforms. In order to meet this time frame, we need to have the appropriate sponsorship onboard by the end of February.

We anticipate the entire project will take about 5 months to complete with deliverables from the qualitative research available midway through the project.

## Deliverables:

Each sponsor will receive:

- A narrative summary report of the focus groups.
- A mid-project presentation of preliminary study findings.
- A PowerPoint report of the survey findings.
- A final presentation of the study results.
- A tab book of survey results.

## Cost:

For LIMRA members enrolling as sponsors before February 26, 2010, the price of the project will be \$17,850. After that date, the price will be \$19,850. Sponsorship for non-members will be \$23,800.

This research is being conducted on a cooperative basis with every effort made, but not guaranteed, to accommodate the specific interests of all sponsors. The cost of the study is based on a set of assumptions about the format of the research. While sponsors are invited to provide input to the project's design, any substantial changes must fit within the original cost assumptions. If sponsors *unanimously* agree to a change in the study format, they must also *unanimously* agree to pay their share of any additional fees accrued.

If a sufficient number of companies fail to enroll as sponsors of the project within a reasonable time frame, LIMRA reserves the right to withdraw the study.

All fees for the project will be due in two installments. The first half will be billed after the necessary number of companies enrolls. This initial payment is non-refundable if a company decides to withdraw sponsorship once the project has begun. The balance will be due following receipt of the final report. Customized payment options are available on request.

## LIMRA's Custom Research:

The cooperative research conducted through LIMRA consortia have provided timely and cost-effective information for companies on a myriad of marketing related topics since 1986. By joining a consortium to investigate a common area of interest, companies receive the benefits from large research projects, but pay only a fraction of the cost of conducting this research. LIMRA consortia have helped companies to:

- Explore opportunities in emerging markets.
- Determine the market potential for new products.
- Understand the buying process.
- Position themselves with producers.
- Track and improve their service performance to customers and producers.

Recent LIMRA consortia include *What Women Want in Financial Services*, *Group Insurance Service Satisfaction*, and *Canadian Critical Illness Market Study*.

Each year, consortium study topics are selected from among ideas suggested by member companies. If you have an idea for a topic, please contact Rick Hekeler, Assistant Vice President and Director of Custom Research. (Phone: 860-285-7815. Email: rhekeler@limra.com)

## Project Director:

**Richard W. Hekeler, Ph.D.**, Assistant Vice President and Director of Custom Research will be the project director for this study.

For most of his 16 years at LIMRA, Hekeler has been involved in designing, conducting, and interpreting fee-based consortia and individual company proprietary research projects. During the last several years, he has also conducted research among employers and producers in the U.S. and Canadian group insurance marketplace and has been key player in LIMRA's Strategic and Emerging Issues Research program. He was the author or co-author of *The Changing Group Insurance and Health Care Marketplace*, *Consumer-Directed Health Plans: A New Day Dawning*, *Consumer-Directed Health Plans: Putting the Genie in the Bottle*; *A Walk on thin Ice: Managing the Rising Costs of Employee Benefits*, *Canadian Group Insurance Marketplace*, *Benefits in the New Millennium: Employee Benefits in Canada*, and *The Canadian Group Producer Mindset*.

Prior to joining LIMRA, Hekeler spent several years in various market research and planning positions at the Paul Revere Insurance Group and United Airlines. He was also the Director of Service Quality at Consolidated Group, Inc.

A graduate of the University of Colorado, he received his master's and doctoral degrees in sociology (with specialization in demographic research) from the University of Chicago.

**Shannon O'Keefe**, Senior Analyst, will co-direct.

O'Keefe has provided project management and data analysis support for dozens of LIMRA and LOMA individual and consortium research projects. Prior to joining LIMRA, she worked at A.C. Nielsen BASES, a supplier of primary consumer research for the consumer packaged goods industry. She holds a bachelor's degree in psychology from Eastern Connecticut University and is close to

completing a master's degree in research design, statistics, and quantitative measurement at Southern Connecticut University.

**Stephen G. Wood**, Associate Analyst, Custom Research will provide project support.

Wood recently joined LIMRA after nine years at Aetna Inc. where he held various account, project, and client service management positions in the company's COBRA processing unit. He is currently involved in providing project support for a variety of projects including customer satisfaction and operational metrics studies.

Wood has a B.A. in Biology from the University of Connecticut.

**Jennifer Parmelee Witt, ACS, FLMI**, Assistant Research Director, Employee Benefits Product Research will provide content knowledge and support.

Witt conducts research in the Employee Benefits Product Research area. Her responsibilities include directing LIMRA's group compensation research and writing about trends in the benefits marketplace, currently focusing on consumer-driven health plans. She also runs the Account Management Study Group and is responsible for the Sales Compensation Seminar for Group Distribution. Additionally, Witt has contributed to several LIMRA reports, including *A Look at the U.S. Group Dental Market: Trends and Opportunities*, *The Changing Group Insurance and Health Care Marketplace* series, and *Marketing Group Insurance and Health Care Benefits: Trends and Insights – Phase Two*.

Witt came to LIMRA in 1999 after working in Business Development and Strategy at Tufts Health Plan (MA).

She graduated from Wellesley College with a B.A. in political science.

# **SPONSORSHIP AGREEMENT**

## **LIMRA Agrees to:**

Conduct the research as described in the attached proposal and provide all deliverables to the sponsoring companies. Because this is a multi-sponsored project, LIMRA will try but cannot guarantee that the specific research interests of any sponsoring company will be accommodated. Each sponsoring company will be entitled to receive copies of the report and all other data developed during the conduct of the project.

## **The Sponsors Agree to:**

Perform all activities and provide LIMRA with all information and input as identified in this proposal. If sponsors unanimously agree to a change in the study format, then the sponsors must also agree to pay their share of any additional fees accrued.

## **The Sponsoring Companies and LIMRA Both Agree:**

That the published findings of the study and supporting data and survey materials are the collective property of the sponsors and LIMRA, and

That each sponsoring company and LIMRA have an exclusive interest in the study for business development and research purposes which they will hold confidential from any other company or party, unless a separate agreement has been made with LIMRA regarding companies with whom they have an ownership affiliation, and

That for twenty-four (24) months following publication of the study, neither the sponsors nor LIMRA may discuss the findings of the study in any advertising or publicity, and

That after twenty-four (24) months have elapsed from the publication of the study, ownership of the study and supporting data and survey materials will be given over entirely to LIMRA, but each sponsoring company will have the unrestricted right to use the study findings in any manner suitable to the conduct of the business of the sponsor.

# DECISION FORM

## What Now for the Under 20 Lives Employer Market?

Please return this signed decision form to:

Lynn M. Ferris  
LIMRA  
PO Box 208  
Hartford, CT 06141-02089  
USA

Phone: 860-285-7849  
Fax: 860-298-4061  
Email: lferris@limra.com

I have read the proposal and sponsorship agreement for the study, and:

- YES We will sponsor the study
- We would like to discuss the study before making the final decision
- NO We are not interested in sponsoring the study

Please indicate why not: \_\_\_\_\_

***If there is someone more appropriate at your company, please forward this proposal to him/her.***

Accepted/declined  
on the behalf of \_\_\_\_\_  
Company name

\_\_\_\_\_  
Name (please print) Title

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Phone number Fax number Email address

\_\_\_\_\_  
Street Address City State Zip code