

Understanding Health Insurance Needs for Small Businesses in the U.S. to Formulate the Information Technology Strategy

Rahul Bhaskar, Steven G. Mihaylo College of Business and Economics, California State University, Fullerton, Fullerton, CA, USA

Yi “Jenny” Zhang, Department of Information Systems and Decision Sciences, California State University, Fullerton, Fullerton, CA, USA

EXECUTIVE SUMMARY

The majority of the workers are employees of a small business in the USA. A large percentage of these employees get healthcare insurance from their employers. However, there is a discrepancy between the employees and employers when it comes to health insurance preferences. This case presents a case study of a survey conducted by a health insurance company to formulate an information technology strategy. In the light of new health care reforms, the ASBC Company is planning to use the results of this survey to formulate an information technology strategy.

Keywords: Conjoint Analysis, Health Care Reform, Small Business, Small Business Health Care, US Health Care

ORGANIZATIONAL BACKGROUND

In the US, typically employers choose a basket of health insurance plan providers and their health plans, out of which their employees can choose. Although this appears to give the employees a choice, yet it may not meet their personal benefit preferences. Therefore, a question arises: whether the health insurance provided by the employers satisfies the health insurance benefit preferences of the employees.

The question of discernment between the health insurance benefit preferences of employers from their employee is very crucial in the era of health care reforms that were recently passed by the US Congress and signed into law by the president. In particular, the answer to this question is very important to a small business with employees between 2 and 50. According to the Patient Protection and Affordable Care Act, if a business has less than 50 full time employees, average wage of employee is less than \$50,000 per year, and business contributes

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at least 50 percent to the premium, it will get up to 35 percent of the employee's premium contribution as a credit. Business with more than 50 employees, are not eligible for the tax credit.

More than half of all American workers are employed by businesses with fewer than 100 employees. There are a large percentage of employees in these businesses who get the health insurance through their employers. A cost of insurance have escalated and benefits reduced, the decisions of employers concerning health insurance offerings are very important for employees (Peele & Lave, 2000). Employer offers the health insurance as a mean to attract qualified employees and minimize employee turnover (Ehrenberg & Smith, 2006; Kaufman & Hotchkiss, 2002). Underlying the prevalence of employer sponsored health insurance coverage however, is a considerable variation in a health plan, workers and their families receive. According to various surveys, small private sector employers are much less likely to offer health insurance than other firms or government. Only 61 percent of firms with fewer than 50 employees offer health insurance compared to 96.4 percent large employers (AHRQ, 2010).

A regional small business company (ASBC) is a not-for-profit company that specializes in providing small business service and assistance. ASBC's subsidiary - ASBC Insurance - was established as a separate entity with the sole purpose to assess and provide health care insurance for small businesses and its employees. In the era of health care reform and related changes, the executives at the ASBC Insurance wanted to find out more about their target market. In particular, they wanted to know the difference of preferences between employers and employees. In order to gain competitive advantage, the research will serve as an impetus for enticing new prospects. The research will also guide the company to formulate the information technology strategy to support the small business in the era of the health care reform.

The ASBC Insurance Company is a large health care insurance company with multiple hospitals and clinics all across California. Joe,

the CEO wanted to know the differences in preferences for different benefit attributes by employers and employees of small businesses who had between 2 and 50 employees. Specifically, he and his executive team were interested in accomplishing the following main objectives 1) Identify the health insurance attributes and their relative importance to employers and employees (2) Identify the tradeoffs employees and employers are willing to make when deciding which health insurance product to purchase. This information, they were convinced, will support their initiative to formulate the Information Technology to support the small business and its employers as well as employee's needs. In the context of the health care reform and the new state exchanges that will allow employees of small businesses to buy their own insurance, the new Information Technology strategy will help the company remain competitive in this very lucrative market.

CASE DESCRIPTION

Patient Protection and Affordable Care Act (PPACA 2010) has opened up an opportunity for health insurance companies. The mandate established by PPACA has affected the health insurance in two specific ways. First, PPACA requires that United States residents to purchase health insurance. Second, to help facilitate the purchase, the law allows each state to create their own establishment of the Health Insurance Exchange. As January 1st, 2014 is drawing near, the majority of the exchanges are entering the testing stage.

In California, where ASBC has most members, the exchange is expected to be fully functional in 2014. "Covered California," the name given to California Insurance Exchange is a market place where individuals and small employers can participate to purchase health insurance. Covered California offered 4 main 'metallic' plans, each with corresponding premiums and level of benefits. There are Bronze, Silver, Gold, and Platinum, ranging from lowest to highest premium and benefits. The participa-

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