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

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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

DOI: 10.4018/jcit.2012100101

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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 employees. 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 cover-
age 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 spe-
cializes 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. Specifi-
cally, 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 em-
ployees (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 1, 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 pre-
miums 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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