COMPLETE GUIDE TO SMALL BUSINESS HEALTHCARE PLANS

- BY WILEY LONG III, PRESIDENT - HSA FOR AMERICA
- REVIEWED BY LOU SPATAFORE
- FACT CHECKED BY MISTY BERRYMAN

THINKING ABOUT GETTING HEALTH INSURANCE FOR YOUR SMALL BUSINESS EMPLOYEES, BUT DON'T KNOW WHERE TO START?

We at HSA for America can help answer all your questions on Small Business Healthcare plans.

As a start you can explore this step-by-step report that breaks everything down into simple, easy-to-understand terms, all backed by the knowledge and experience of our in-house small group insurance experts.

This guide covers five options that small business owners can leverage to provide health benefits to their employees along with their pros and cons.

At the end of the report, enjoy a few free tips on how to choose an insurance plan for your small company.

MESSAGE FROM THE PRESIDENT

Wiley P. Long III
President HSA for America

"AFTER MORE THAN 30 YEARS IN THE HEALTH INSURANCE BUSINESS, NO SINGLE FACT OR FIGURE HAS HAD A MORE LASTING EFFECT ON ME THAN THE REALIZATION OF JUST HOW NEEDLESSLY EXPENSIVE HEALTHCARE HAS BECOME IN OUR COUNTRY."

The combination of convoluted federal regulations, predatory sales strategies, and obscured pricing structures have led to a healthcare environment where we as consumers are not only paying too much, but we also have virtually no control over our own health care.

Bombarded by dozens of options and pages upon pages of fine print, the average healthcare consumer has been driven into a position of marginalization against a system that has not been designed to account for their best interests.

This is why I built HSA for America: to liberate consumers from the teeth-pulling irritation of the modern American healthcare system. Our team has adopted the ongoing mission of finding new, out-of-the-box ways to save money on health costs, whether through the creative investment possibilities of a Health Savings Account or the personalized, low-cost aspects of a Health Care Cost-Sharing Program.

After all, we’re just regular people ourselves ... parents, business owners, consumers ... and like anyone else, we could all use a little relief here and there (especially those of us who don’t qualify for subsidies under the overly-controlling mandates of “Obamacare”).

By the final page, we hope that you will be ready to meet with your very own Personal Benefits Manager to uncover your needs, understand your options, and most importantly, cut your costs. (Anandita, note that we offer "instant" quotes for a small group, only individuals. For a small group, we need to calculate, which may take a few hours or a day.)

While this Guide is packed with clear, easy-to-understand tips, there is no reason to stop there. **Give us a call at 1-800-913-0172 and schedule a consultation with one of our friendly, service-obsessed agents.**

At HSA for America, we don’t work for insurance companies. We work directly for our clients, the American health care consumers and small business owners, who with our guidance have been able to find annual savings of as much as $12,000 per year, per employee.

Since 2004 our team of insurance professionals has helped over 16,000 people access these kinds of savings. It is our genuine hope that we can do the same for you.

Sincerely,
Wiley Long
President, HSA for America

LET'S GET STARTED!

There are several different options available to small businesses. We at HSA for America have made it easy for you to understand the differences between them.

So, let's delve into the options we most recommend to our small business clients.

1. **Employees Obtain their Own Coverage**
2. **Small Group Health Insurance**
3. **HRAs for Small Business**
4. **Health Sharing Plans for Employees**
5. **Direct Primary Care (DPC)**

1 EMPLOYEES OBTAIN THEIR OWN COVERAGE

If your business has fewer than 50 employees, then you are not required to offer health insurance. But as many small business owners recommend, it can be difficult to grow a young company without a competitive benefits package.

On the other hand, sometimes the smarter financial move is to not offer health benefits. For example, some low-income employees might qualify for an ACA subsidy on the individual market, making it the cheaper option. Or perhaps some of your employees are already covered by a spouse's group plan.

As you'll find out in this guide, health insurance for small businesses is more affordable than you think. It also creates access to several valuable tax benefits for employer and employee alike.

PROS	CONS
It's easier than choosing and administering a health benefit	Offering no health benefits can make it hard to attract new talent
Your employees might already be covered, or eligible for a cheaper plan with an ACA tax credit	Wage increases (as opposed to some benefit offers) are taxable to the employee

2 SMALL GROUP HEALTH INSURANCE

Group health insurance is perhaps the most common form of employment benefit. With small group health insurance, the employer chooses a plan or selection of plans to offer their employees. The employer can also decide how much they want to contribute to the cost of the plan. The employee pays the rest of the premium out of their paycheck with pre-tax dollars.

Group health insurance for small business works in 4 easy steps:

1. **The employer chooses a plan, or a selection of plans**
   This is the most difficult part of the whole process but can be easy when working with an advisor. Choosing a plan means considering the needs of your employees and dependents. What kind of benefits will they need, and who will be covered? Will the plan cover dependents?

2. **The employer decides how much to contribute**
   This can be a number that makes sense for your company's financial needs. Usually, premiums for small group coverage are split in some way between the company and the employer.

3. **Enrolled employees will have a monthly premium, a set deductible, and an out-of-pocket maximum**
   This information is all available beforehand and can help convince an employee to enroll.

4. **The cost of the premium is a shared, pre-tax deduction from the employee paycheck**
   After the plan is chosen and the employees are enrolled, administration is a piece of cake. As long as the employee continues earning a paycheck, they will remain covered. Payments are automatic and handled via payroll.

PROS	CONS
The employer decides how much is contributed. Once you have a plan picked out, you can decide precisely how much the company will contribute. This is unlike larger group options which require a contribution of 50% or more.	**Group insurance can be more expensive for the employer.** In the last few years, the average cost of group health insurance plans has gone up. While the price of the plans on the individual market have also increased, the premiums and deductibles for group plans are at an even higher rate. However, it is still possible to find affordable small group insurance.
Group plans make it possible to set up an employee HSA. These flexible tax-deferred accounts give your employees a better way to save money for healthcare. Because of this, HSAs for small business are becoming a staple in benefits packages across the country.	**Group health insurance is not individualized.** The nature of group insurance plans is that all employees have only one option. While it is possible to offer more than one plan, the employer still has to select a single provider. This means that employees have less control of what kind of coverage they're buying.
Some businesses are eligible for a big tax credit. Depending on which state you're in and which provider you are purchasing from, you might be eligible for the Small Business Health Care Tax Credit. This is a major tax benefit that can be as much of 50% of your overall contributions. Visit the Healthcare.Gov website to estimate your Small Business Health Care Tax Credit.	
There's no special enrollment period for group plans. Unlike health plans purchased on the individual market, business plans have no enrollment periods. That means that you can set up a small group plan for your business whenever you like.	

How do I set up a group health insurance plan for small business?

The first step is creating an overview of your company and employee needs. You should begin by asking questions like:

- How much can the company afford to pay for group insurance?
- What kind of plan is best suited for my employees?
- What benefits and plan options will help attract top talent?
- What kind of group plans are available in my state?

Once you have a general view of your needs, reach out to us and we can help you with what's best for your company and its employees.

3 HRAS FOR SMALL BUSINESS

Health reimbursement arrangements (HRAs) allow small business owners to reimburse their employees for their health insurance and other out-of-pocket medical expenses. In most cases, this is a monthly allowance of tax-free money that you pay to your employee.

HRAs can come in a lot of different forms. The most popular HRAs, however, are designed to compensate an employee for their individual coverage premiums.

In either case, the benefit is totally tax-free, and the amount is determined by the employer.

Group health insurance for small business works in 4 easy steps:

1. **The employer decides how much they want to pay as a benefit.** There are no minimum contribution amounts for HRAs. This means that small businesses can offer an amount that makes financial sense.

2. **The employee enrolls in a qualified health insurance plan.** HRAs require that the employee have their own health plan that meets minimum standards as defined in the Affordable Care Act. The employee is responsible for both choosing the plan and getting themselves enrolled.

3. **The employee submits proof of expenses.** While HRAs are primarily used to pay monthly premiums, they can also cover the costs of some things not covered by insurance. After incurring an expense, the employee submits an invoice or receipt.

4. **The employer reimburses the employee, up to the pre-established HRA limits.** HRA reimbursements are not included in the employee's gross income.

PROS	CONS
HRAs are tax-free. HRAs are a formal health benefit, and as such they are completely free of payroll and income taxes. To qualify, the employee must have minimum essential coverage as defined under the Affordable Care Act. HRAs can save the employee up to 50% in taxes compared to a wage increase of the same amount, as well as reduce payroll taxes for the employer.	**Individual coverage is sometimes more expensive for the employee.** Most HRAs require that the employee be enrolled in an individually purchased plan. While this does give the employee greater control over which plan to choose, they may pay more than they would per month than they would with group coverage.
HRAs give employers more control. With HRAs, there is no minimum amount that the employer is required to contribute. This means that businesses can choose the amount of money that they want to spend on health benefits. This makes it easier to create financial forecasts without having to worry about unexpected cost increases.	**Employees will not be able to use an ACA subsidy alongside their individual HRA.** HRAs can only be used to reimburse insurance premiums that are not subsidized through the Marketplace. If your employee signs up for a plan and receives premium tax credits to lower their premium, they cannot participate in the HRA.
HRAs have no minimum participation requirements. Even if your company only has one employee, you can still offer a tax-free HRA. This includes providing coverage options for employees who are on family plans or enrolled in health sharing. This is not how it works with traditional group insurance plans, which have stricter eligibility requirements.	
HRAs are portable and personalized. With an HRA, your employees will have more complete control of their healthcare dollars. Employees are empowered to choose their own plan, providers, and service options all on their own. In addition, employees can use their benefit to pay for medical expenses that might not be covered by a traditional group policy, such as vision, dental, and out-of-pocket costs.	
HRAs can work across state lines. Unlike group insurance plans, HRAs are available to employees out-of-state without any additional administrative hassle.	

How do I set up a small business HRA?

Setting up a company HRA is very easy. Here is the process in three easy steps:

- **Decide how much you will be reimbursing your employees.** This can be a flat rate limited to premium costs, or it can include out-of-pocket costs like deductibles or dental expenses. With HRAs, the company makes the rules.
- **Announce your company's open enrollment period to your employees.** They will have 60 days to sign up for a plan, and new employees can sign up when they are hired or after a pre-established waiting period.
- **Work with an HRA administrator to handle all reimbursements.** HRA administrators not only save a lot of time but will also keep your plan in compliance and provide you with detailed monthly accounting.

Once you have a general view of your needs, reach out to us and we can help you with what's best for your company and its employees.

4 HEALTH SHARING PLANS FOR EMPLOYEES

For businesses and employees alike, health sharing for employees can save a bundle on monthly premiums. In fact, the average health sharing plan is about half the cost of unsubsidized health insurance.

Health care sharing is not actually health insurance. Instead, it is a membership-based cost sharing program. In exchange for a monthly contribution, members can have their medical expenses shared according to a fixed-price reimbursement model.

But like any health care strategy, health sharing isn't for everyone. These plans come with waiting periods for pre-existing conditions, and coverage is usually less comprehensive.

Health sharing for employees works in 5 easy steps:

1

The employer chooses a medical cost sharing organization.

There are several different health care sharing organizations that currently meet the government requirement. MPB Health, Sedera, and netWell are perhaps the most popular group healthshare options. Each offers different levels of coverage. It's up to you to choose one that has the right balance of pricing and coverage.

2

The employee signs a statement of principles or an equivalent member agreement.

Medical cost-sharing organizations ask members to agree to live by a set of moral, ethical, and health-conscious principles. For faith-based health share organizations, this is referred to as a statement of faith.

3

The employer and the employee share the cost of the monthly member contribution.

Like with insurance or an HRA, the employer decides how much they want to contribute. The remainder is paid by the employee, usually directly from payroll. Unlike HRAs and group insurance, health share contributions are not tax deductible.

4

The employee provides the medical provider with their membership card or submits bills for review after an expense is incurred.

Many health sharing plans work very similarly to health insurance, with a PPO network. Others allow you to see any provider and then require that the member submit their medical receipts for approval.

5

The health sharing organization determines how much of the cost will be shared.

After the receipts have been received, the health sharing organization decides how much of the cost will be shared. This takes into account any amount the member is responsible for (like a deductible) as well as whether or not the incurred costs are qualified according to the membership guidelines.

PROS	CONS
Health sharing is much cheaper than health insurance. On average, health sharing plans for business are between 30 and 50% more affordable than conventional insurance. If you are confident that health sharing plans can meet your needs, this is a great place to save big on monthly costs.	**There is a waiting period for certain pre-existing conditions.** With a few exceptions, health sharing plans are far more restrictive when it comes to pre-existing conditions. These waiting periods can be between 12 and 36 months depending on the plan.
Health sharing plans are portable. Even if your employee leaves the company, their health sharing membership will continue if they continue to pay their monthly share.	**Health share contributions are not tax-deductible like insurance premiums.** Health sharing organizations are separate from the government. This means that contributions are not tax-deductible the way that insurance premiums are. Yet, even without the tax savings health sharing plans are often cheaper than insurance.
They encourage a healthy lifestyle. Health sharing plans are perfect for the individual who is relatively healthy. But even more, these plans actively encourage a health-conscious lifestyle. It's the perfect arrangement for someone who doesn't intend to use their coverage all that much.	

How do I set up a health sharing plan for my employees?

Make a list of your company's standard medical needs. This means seeking out the answers to questions like:

- How often do my employees seek medical care?
- What kind of options would be popular?
- Would my employees benefit more from lower premiums or more options?

Also determine the amount that the company can contribute towards health benefits. Once decided, reach out to us and we can help you with what's best for your company and its employees.

Important point to note is the difference between Health Sharing and Health Insurance

Healthcare cost sharing for employees is an alternative to health insurance, but it is not insurance. This allows health sharing to be more flexible, but it also lacks some of the basic protections of ACA health insurance.

For example, health sharing comes with no federal guarantee that your employees' health costs will be covered. Health sharing organizations share member contributions with members who have medical cost needs, and there is no insurance company providing financial backing.

Health sharing plans to have a waiting period for any pre-existing conditions. If you have employees with pre-existing conditions or frequent medical needs, a small business group plan or an HRA might be a better option. Those come with guaranteed enrollment, so none of your employees can be denied coverage.

5 DIRECT PRIMARY CARE (DPC)

Direct Primary Care, or DPC, is an alternative healthcare model where patients or their employers pay a flat monthly or annual membership fee in exchange for unrestricted access to a primary care doctor.

When offered as an employee benefit, workers can see their primary care provider as often as needed for preventative care and maintenance of chronic conditions. Their DPC physician can refer them to specialists for more advanced care, as needed. There are no co-pays, co-insurance, or other out-of-pocket costs.

DPC memberships work best in conjunction with a high-deductible health insurance plan or health sharing plan, each of which may help with costs for emergency or acute care or specialist care beyond the scope of the DPC's practice.

How DPC works in easy steps:

1. Employers select a medical provider and pay a flat monthly enrollment fee for each employee and family member in the plan. In return, employees and covered family members receive unlimited access to their primary care physician, who provides routine checkups, physicals, vaccinations, monitors and manages chronic conditions, and provides referrals to specialists as needed.

2. Direct primary care is not health insurance. Instead, it removes expensive health insurance companies from the equation. Doctors and clinics who work under the DPC model don't need to maintain large billing departments to handle insurance payments. Their administrative overheads are massively reduced. And as a result, so are overall costs.

3 Direct primary care memberships don't cover everything. They are strictly for routine care, check-ups and physicals, preventive care, immunizations, and monitoring routine conditions to prevent major problems later. Note: Not all DPC memberships provide treatment for chronic conditions. Check with your plan provider for details – especially if you believe you have employees or family members who have one or more such conditions.

To protect against the unexpected costs of medical emergencies, acute conditions, and health events requiring more advanced care, employers and workers normally combine DPC plans with a traditional health insurance policy, or a health sharing plan as described above.

However, because direct primary care covers the basic routine and preventative services, employers can choose lower-cost high-deductible health insurance plans (HDHPs) or a low-cost non-insurance alternative such as a health sharing plan. This generates significant savings compared to traditional major medical insurance approaches for employers and workers alike.

PROS	CONS
Employees enjoy better access to primary care physicians at no out-of-pocket costs to them.	DPCs aren't meant to stand alone. They should be combined with a high-deductible health insurance policy, a low-cost health sharing plan alternative to traditional health insurance, or in some cases, a health reimbursement arrangement that helps employees buy their own private insurance coverage.
Better morale and retention, as employees feel better cared for	DPC expenditures don't count toward insurance deductibles, even if the worker pays the DPC enrolment/subscription fee themselves.
Improved management of health conditions significantly reduces health care utilization costs, time off work, and presenteeism.	Not every DPC provides treatment for chronic conditions.
Companies enjoy direct cost savings as employees can select a high-deductible health plan (HDHP) plus a health savings account, or a low-cost health sharing alternative, rather than opting for a high-cost traditional major medical insurance policy with high premiums.	DPC plans don't include prescription drugs. But workers or employers can provide a stand-alone drug plan, health insurance, or health sharing plans that provide assistance with prescription drug costs.

How Do I Set Up Direct Primary Care for my Employees?

Setting up a direct primary care plan as an employee benefit is very easy:

- Decide whether you will offer family members access to DPC benefits (most do), and what specific classes of employees will qualify for the benefit.
- Work with your HSA for America representative to select a plan with providers convenient to your area, or the areas where your employees live.
- Prepare a roster of employees who will be eligible for the benefit.
- Arrange training or a briefing on how direct primary care works and how it benefits workers and their families.
- Have employees enroll online.
- Pay membership fees to DPC plans directly or via payroll deduction.
- Onboard new employees and family members as necessary.

Once decided, reach out to us and we can help you with what's best for your company and its employees.

HOW TO CHOOSE THE BEST HEALTH BENEFIT FOR YOUR SMALL BUSINESS

Choosing a health insurance option for your employees can seem like a daunting task. Before you begin, ask yourself the following questions:

- What options is your company eligible to offer?
- How much are you willing to spend on health benefits?
- How much time do you have to manage and administer benefits?
- Which benefit option would be of the highest value to your employees?

Once you have answers to your questions, follow these simple steps to create your own plan –

STEP ONE: Review Your Budget
Many small businesses forgo health benefits because of the high price. But there are some options like HRAs and health sharing that fit even the smallest company's budget. The first thing you need to determine is how much you are willing to contribute for health benefits.

STEP TWO: Consider your Employees' Annual Income
The amount of money your employees are currently making may affect the affordability of their healthcare. For example, HRAs are not compatible with the ACA subsidy, which could force your employees to have to choose one or the other. Knowing how much your team is currently making will help your advisor find the right option for everyone.

STEP THREE: Consider your Employees' Coverage Needs
It's always a good idea to talk to your employees about their health needs before purchasing a plan. Try to get a feel for how often they use their coverage, and whether the benefit you're thinking about would help them pay for their healthcare.

STEP FOUR: Talk to Your Personal Advisor about Small Group Insurance
Unlike traditional insurance, employee health benefits do not need to be "one-size-fits-all". With HRAs, HSAs, and health sharing, it's possible to create a flexible benefits package that encourages the employee to take ownership of their health decisions. In addition, it's possible to build different combinations of these benefits for added convenience. For example, pairing a health sharing plan with an employee HSA is a great way to offer balanced coverage without spending too much.

REACH OUT TO US!

Since 2004, we have been committed to helping small companies with less than 30 employees secure the right health benefits for their team. In doing so, we've helped create innovative financial strategies that help these companies grow and thrive.

Your Personal Benefits Manager is an expert guide that can help you navigate the costs and coverage options of small business insurance.

Give us a call to get on the calendar for a strategy session, or click here to make an appointment.