

JUSTWORKS.

**Buying Health Insurance**

— *for* —

**Small Businesses**



# Buying Health Insurance


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As a small business owner, there's a lot to think about when approaching the health insurance market. Many factors come into play, including budgets, healthcare needs of employees, and future hiring.

For those of you who are unsure of where to begin, get started by educating yourself on some of the basics. Learning about some key terms and a few of the decisions you'll need to make will help you feel more equipped as you venture into the landscape of buying health insurance.

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# To Insure or Not To Insure — That's the First Question

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When you first start thinking about offering health insurance, you should consider the state of your business and finances to understand what you're capable of offering. Some small businesses don't have a large budget to cover health costs of employees as they occur, while other companies might have more cash flow to handle employee health costs as they come up.

## **Self-funded Plans**

If you're in the camp with more cash flow, self-funded health insurance plans may be a good option for your company. With self-funded plans, the company takes on more risk, bypassing the coverage from an insurance carrier in favor of handling potential claims and health care costs as they come up. By taking on the risk of expensive health care costs, companies with self-funded plans may end up saving money if employees don't require healthcare. Taking this route can lead to additional costs for companies, including resources to help handle claims as they come in and stop-loss insurance to protect against excessive claims.



**Fully-funded  
Plans**

For small businesses that don't have the type of cash flow to support employee health care costs outright, the fully-funded plan may be a better option. Fully-funded health insurance plans involve the more familiar process of securing health insurance through a carrier and paying lower up-front costs to avoid incurring higher costs at the time of service. The insurance carriers then assume the risk, leaving small businesses to focus time, energy, and cash flow on growing the business. This does require more up-front effort from business owners as they work to secure health care coverage plans. Employees also need to spend time evaluating the plan options and costs associated with those plans.

While every business is different, small businesses often opt for a fully-funded plan. This guide will explore key terms and factors related to choosing fully-funded plans, though businesses choosing self-funded plans can also benefit from the information.



# Small Groups, Large Groups, and the Marketplace

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Once you've decided to purchase health care coverage for your company, you'll need to dig into the numbers a bit more. One of the first numbers you'll need to come up with is how many employees you'll be covering. This determines the group in which your company will fall and, in turn, the plan options and rates for coverage.

**Group Eligibility** To be considered eligible for group health insurance (as opposed to individual policies), your company needs to have at least one full-time employee. Your company's group size is then dictated by the regulations in the state in which your business is located. While there is a standard for small and large groups, you may need to comply with slight variations depending on which state you're located in.

**Small Groups** Small groups are generally defined as having between one and 50 full-time employees. The business owner does not qualify as the one employee, so there needs to be at least one additional employee on the books who is not an owner of the business nor a spouse or family member of an owner. Another way to look at small groups? They only require a minimum of two employees as long as only one of the employees is an owner.



## Large Groups

Large groups are generally defined as having at least 51 full-time employees.

*Note: For businesses in California, Colorado, New York, and Vermont, small and large groups have slightly different parameters. Small groups in these states include companies with up to 100 employees. Companies with over 100 employees are considered large groups.*

## The Marketplace

The federal health insurance marketplace, called the Small Business Health Options Program (SHOP), exists for those who need to purchase health insurance independently. State marketplaces also exist for independent buyers. If your company doesn't qualify for group insurance plans, or you have employees who need to acquire health insurance outside of your company's offering, the marketplace is another option to explore.

Having the option to purchase health insurance through the marketplace is helpful, but navigating the SHOP or state marketplace can be difficult, especially for first-timers. Having an experienced resource to guide you can be incredibly useful, so some business owners opt for professional assistance in the process.



# Finding Your Way — PEOs, Brokers, and DIY

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## Joining a PEO

PEOs might be particularly helpful to you if you're the owner of a small business. Not only do they work with small businesses to help them get access to big-company benefits for affordable rates, but PEOs also provide support for employment-related compliance needs. Some PEOs are able to streamline functions like payroll and HR as well, providing expansive services that allow you to focus more of your time and effort on growing your business.

The big business power of PEOs is a big draw for small businesses, as business owners may not be able to negotiate the best plans and rates for their company without the help of a PEO. PEOs can also advocate for you and your employees, relying on their collective bargaining power to help you get the care you need. This power doesn't just stop at health insurance, either — it includes retirement plans, workers' compensation, and even additional benefits like commuter and wellness perks.

Another big benefit of joining a PEO is the time saved. Small business owners know time is precious, so any opportunity to save time is valuable. When you're part of a PEO, many of the administrative responsibilities that fell on the owner or CEO now fall to the PEO. PEOs are small business experts, managing and filing employer-related paperwork along with negotiating benefits. The time and effort that business owners save when joining a PEO can be exponential.



**Did you know?**

PEOs are able to handle these responsibilities for you through something called co-employment, which is an agreement between a business and a PEO that allocates certain employer responsibilities to the PEO. Through this distribution of employer responsibilities, your company can leverage the cost savings and efficiencies associated with being part of an enterprise.

## Partnering With Brokers

If your small business needs aren't fully met by joining a PEO, finding a broker can help alleviate the burden of buying health insurance. Brokers are experienced professionals that can navigate the health insurance marketplace, using their knowledge to help you compare and secure the best plans and rates for your individual or company's needs.

The services that brokers offer can range depending on the individual broker or agency you partner with. Some brokers provide very personalized service while others only provide you with the basics to get started. While brokers offer varying levels of service as they help you negotiate health insurance plans, they don't have that big business power of a PEO. PEOs will make a business part of a larger group, which qualifies the business for plans it would otherwise not have access to at a smaller size. Brokers don't generally have the ability to make this possible.



## Doing It Yourself

If you're thinking about facilitating the purchase of health insurance via the marketplace yourself, make sure you do your homework. The process of setting up health care coverage can be difficult to navigate, especially when you're taking it on yourself.

When approaching the marketplace, you're taking on much of the work that a PEO or broker would do — researching insurance carriers, requesting quotes, determining all the factors to consider when choosing plan options, and administering benefits to your employees once you've chosen plans to offer. Handling all of this is doable, but can take up a lot of time and energy. Without a dedicated resource to take this work on, small business owners may easily find themselves overwhelmed.

PEOs and brokers are certainly popular answers if you decide to recruit some help. But despite their services, you're still left with a few decisions to make on your own.



# Insurance Plans — The Choice Is Yours

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Whether you've partnered with a PEO, found a trusted broker, or decided to navigate the marketplace yourself, you'll still be faced with making the choice of what plans your company will offer.

There are many factors that you should consider when picking plans, and it's not always easy to align all of these factors in a way that gives you a clear choice to make. As a business owner, you'll need to identify the most important factors that will determine the plan options you'll present to your employees. Some of these factors include:

## **Current employee demographics**

- Your employees' healthcare needs should be factored into the choices you make around what plan options to provide.
- If you're unsure of what your current employees' healthcare needs are, send out a survey that clearly warns against providing specific personal health information.

## **Planned hiring and employee changes**

- Don't forget to factor in the number of employees you plan to hire in the next calendar year.
- Verify any employees who may be turning 26, the age at which they're no longer eligible for their parent's insurance plan and must secure their own coverage.

**Insurance carrier requirements**

- Every health insurance carrier has its own set of rules and restrictions that companies must follow if they intend to purchase plans.
- Qualifications can include the number of full-time employees, the number of COBRA enrollees, or the general number of employees enrolled.
- Some states have their own set of qualifications that employers must consider. The qualifications can be similar to those for insurance carriers.

**Network of providers**

- In-network providers are healthcare professionals or associations who have partnered with a given insurance carrier to provide service at a specified rate that often discounts services for employees.
- Out-of-network providers are healthcare professionals or associations who have not partnered with a given insurance carrier to provide discounted service. Employees can still opt to seek care from these providers but will likely see higher out-of-pocket expenses or may have to pay in full if the plans selected don't offer any out-of-network coverage.

**Premiums and deductibles**

- Premiums are monthly fees that insurance carriers charge for the plans that cover your employees.
- Deductibles refer to the set amount employees must pay toward their healthcare each year before the insurance carrier starts contributing to their healthcare costs.



**Contribution schemes**

- A contribution scheme determines the amount an employer will pay toward each employee's premium. The premium amount remaining is the employee's responsibility.
- The amount the employer contributes can be configured as a percentage or a flat dollar amount. A flat dollar amount remains the same throughout the year while a percentage can allow the final contribution amount to fluctuate based on the healthcare costs accrued.



# Don't Be Late for the Very Important Date

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After all the hard work done to determine group eligibility and plan options, you'll want to ensure your employees enroll on time to benefit from whatever coverage they're interested in.

## Deadlines and Qualifying Life Events

There are specific time frames in which employers can select their plans for the following year, employees can enroll in health insurance plans provided by their employers, and when that coverage takes effect. Regardless of whether you've landed in the small or large groups, or you've taken to the marketplace on your own, you'll need to align to the deadlines that are mandated.

Exact dates can vary by company and state, but these deadlines are taken seriously and considered final. The only way insurance enrollment status can be changed outside of open enrollment is if an individual experiences a qualifying life event (QLE). A QLE, or a major change in the employee's situation, can make the employee (and their dependents, if applicable) eligible for a Special Enrollment Period, which allows changes in whatever coverage the employee has enrolled in or enrollment in coverage if the employee didn't have coverage previously.



**What is considered a QLE?**

There are quite a few life changes that are considered qualifying life events, including:

- **Loss of health coverage**

This can include losing existing coverage from an employer or student plan, losing eligibility for Medicare, Medicaid, or CHIP, or turning 26 and losing eligibility for a parent's plan.

- **Permanent changes in residence**

This can include moving to a different zip code or county, or students and seasonal workers moving to or from the place they both live and attend school/work.

- **Changes in household**

This can include marriage, divorce, having or adopting a child, or a death in the family.

- **Significant changes in income**

This can include things that affect the coverage you qualify for.



# Conclusion

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As you can see, there's a lot to consider when buying health insurance for your small business. While it can be overwhelming, you don't have to go through the process alone. As mentioned earlier, PEOs like Justworks can make the process much easier, taking on most of the effort so you can spend your time starting and growing your business. If you'd like to focus more of your time on running your business, we're here to help!

## How Can Justworks Help?

We know how important it is to care for your team and keep them happy and productive.

Justworks offers access to affordable employee benefits and perks that will give your small business an advantage. We achieve this by pooling together customers to increase buying power, with access to top-quality healthcare. Justworks also takes care of dental, vision, pre-tax commuter, 401(k), life insurance, and numerous other benefits and perks.

**Interested in learning more?**

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