RENEWALS

Building The Right Health Insurance Offering For Your Team

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Between a confusing health insurance system, inconsistent advice, and lack of transparency around cost, building a health insurance offering for your team can feel overwhelming. Especially when the top two factors — everyone's needs and the company budget — oftentimes contradict each other. How do you balance the two?

Leverage What You Can Control

One of the advantages of joining Justworks is that we provide access to plans at fair rates and pair them with healthcare experiences and resources, so you and your team can get more value from your overall healthcare experience. With cost top of mind, it's normal to focus on upfront costs. However, as rates continue to increase year-over-year, it may be more beneficial to think in terms of total cost over time.

Why total cost over time? Total cost over time is an indicator of how the plans you've chosen have performed to date. How your plans have performed to date is how carriers assess future predicted usage, which informs your renewal rate.

So how do you build a health insurance offering optimized for potential claims cost across your team?

Match your team's top needs with the ideal network type. Take your prioritized list and match each of the needs to the network type that's most equipped to handle those needs. This will give you a sense of which network types to focus on.

NETWORK TYPE

HDHP

High-Deductible Health Plan

How it works	Lower premiums, but (typically in the beginning) you pay higher out-of-pocket costs. Best when paired with a HSA or a Health Savings Account
Good for	If you don't really go to the doctor and want coverage for an emergency or have a good sense of how much you spend on healthcare and can budget appropriately. Qualify you to open an HSA, which is a tax-advantaged account you can use to pay health care costs

Flexibility 👍👍👍	**Premium** $	**PCP Needed** Varies

Out of Network	Yes, but in-network care is less expensive.
Referral	Varies

HDHP networks are popular among people who:

- → Are generally healthy, and typically have low healthcare costs and a higher risk tolerance
- → Prioritize saving money in the present and are okay with higher out-of-pocket cost when they **do** need care
- → Aren't likely to have many doctors visits a year
- → Don't require a lot of specialized health care
- → Utilize an HSA

NOTE: With this type of plan, you are generally required to pay all costs of care (typically excluding preventive care) until your deductible is hit.

NETWORK TYPE

HMO

Health Maintenance Organization

How it works	Lower out-of-pocket costs and a primary doctor who coordinates your care for you, but require referrals for care outside of primary care providers.
Good for	If you don't mind your primary doctor choosing specialists for you. One benefit is that there's less work on your end, since your doctor's staff coordinates visits and handles medical records.

Flexibility 👍	**Premium** $$	**PCP Needed** Yes

Out of Network	Only for emergencies
Referral	Yes

HMO networks are popular among people who:

- → Are more budget-conscious health insurance users with lower risk tolerance
- → Prioritize saving money, but are okay with paying more than a HDHP to prevent the need to meet a high deductible
- → Aren't likely to have many doctors visits a year
- → Enjoy having a primary care doctor to coordinate and manage their care
- → Don't mind coverage being limited by who is in-network or geographic restrictions, unlike traditional

NOTE: HMO plans are restricted to certain geographic regions. With this type of plan, you are generally required to pay all costs for any out-of-network care.

NETWORK TYPE

EPO

Exclusive Provider Organization

How it works Lower out-of-pocket costs and no required referrals, but more limited network of providers to choose from.

Good for If you'd rather choose your specialists, may help keep costs low as long as you find providers in network; this is more likely to be the case in a larger metro area.

Flexibility	👍👍👍👍	**Premium**	**$$**	**PCP Needed**	No

Out of Network Only for emergencies

Referral No

EPO networks are popular among people who:

- → Are more frequent health insurance users
- → Don't want to worry about getting referrals for in-network specialists
- → Don't mind coverage being limited by who is in-network or geographic restrictions

NOTE: With this type of plan, you are generally required to pay all costs for any out-of-network care.

NETWORK TYPE

POS/PPO

Point Of Service/Preferred Provider Organization

How it works

More provider options (the widest national network) and no required referrals, but higher out-of-pocket costs.

Good for

If you'd rather choose your specialists, may help keep costs low; if you live in a remote or rural area with limited access to doctors and care, and you may be forced to go out of the network.

Flexibility	👍👍👍👍👍	**Premium**	**$$$**	**PCP Needed**	No

Out of Network

Yes, but in-network care is less expensive.

Referral

No

POS/PPO networks are popular among people who:

→ Are more frequent health insurance users with ongoing health needs

→ Need more flexibility in which health care providers they see

→ Don't want to worry about getting referrals for specialists

→ Want access to out-of-network providers and are okay with paying a little more for it

NOTE: This type of plan is generally helpful for those who travel a lot and want to ensure coverage no matter where they are, since it tends to have the widest national network.

Amongst your options for each network type, calculate total potential costs. To gauge total potential costs, find the sum of the plan's out-of-pocket max (how much you'd pay out-of-pocket for covered services **before** insurance begins to fully cover the costs) and annual premium.

NETWORK TYPE	HDHP	HMO	EPO	POS/PPO
PREMIUM	\$350/month \$4,200/yr	\$325/month \$3,900/yr	\$375/month \$4,500/yr	\$525/month \$6,300/yr
DEDUCTIBLE	\$3,000	\$0	\$1,000	\$0
COINSURANCE	0%	0%	20%	0%
OUT-OF-POCKET MAX	\$6,000	\$3,500	\$4,000	\$4,000
TOTAL POTENTIAL COST IN A WORST CASE SCENARIO (annual premium + out-of-pocket max)	(\$350 * 12) + \$6,000 = **\$10,200**	(\$325 * 12) + \$3,500 = **\$7,400**	(\$375 * 12) + \$4,000 = **\$8,500**	(\$525 * 12) + \$4,000 = **\$10,300**

Now you have a sense of how much in total it would cost in the worst-case scenario for an individual.

Within each group of plans available within a network, measure the level of richness (i.e. the percentage of how much the plan pays for covered services) a plan has relative to other plan choices. A middle-of-the-road scenario tends to happen more than a worst-case scenario, so it can be helpful to gauge plan richness or what makes the most financial sense in those situations.

For example, let's say you fall down a set of stairs, break your leg, and it costs $3,000. This is how it'd play out with the same plans from the previous page:

NETWORK TYPE	HDHP	HMO	EPO	POS/PPO
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OUT-OF-POCKET MAX	$6,000	$3,500	$4,000	$4,000
TOTAL POTENTIAL COST IN A WORST CASE SCENARIO (annual premium + out-of-pocket max)	($350*12)+ $3,000+ ($0+0%) = **$7,200**	($325 * 12)+ $0+($0+0%) = **$3,900**	($375*12)+ $1,000+ ($2,000*20%) = **$5,900**	($525*12)+ $0+($0*0%) = **$6,300**

The cost of the worst-case scenario compared to the cost of a middle-of-the-road scenario can give you insight into just how much coverage each plan affords in comparison to how much you'll potentially pay.

Additional Considerations

Here are some more important points to consider when you're planning your health insurance offerings for the upcoming plan year:

- When picking your plans, consider your current employee base versus your hiring plan for the next year. Don't forget to include anyone who may be turning 26 and moving off of dependent coverage.
- Employer contributions can be done in a flat dollar amount or a percentage. The benefit of a flat dollar amount is that in budgeting for the year, you'll know what you're spending throughout the year, whereas a percentage will fluctuate. Keep this in mind for budgeting purposes.
- Similarly, if you find that premiums are going up, you can opt to change your contribution scheme accordingly during employer selection.

Note the plan (and the back-up plan) you think you want for each of your team's top needs. Building out a plan ahead of time will give you the opportunity to have an outline of your thought process for key stakeholders. Plus, it'll leave you feeling prepared.

A Note For ALEs (Applicable Large Employers)

One of the standards that ALEs (Applicable Large Employers) need to meet under the Affordable Care Act (ACA) is that plans offered to their employees are **affordable**.

If you're an ALE, failing to meet **affordability safe harbor requirements** may leave you subject to financial penalties if any of your employees have signed up for health insurance through the marketplace and are eligible for a premium tax credit.

One way to ensure affordability under the ACA is to increase your employer contributions towards medical coverage costs so that the employee contribution at the employee-only tier for at least one plan offered is less than $108.83 (the 2022 Federal Poverty Level Safe Harbor Threshold).

Now that you've gotten a sense of your options and mapped out your ideal scenarios, it's time to build your health insurance offering for your team, based on the plans you identified as a good fit.

Contact Us

We've covered plenty of material here, but know that the Justworks Customer Success team is always here to assist with questions from you or your employees, 24/7. You can contact us by phone, email, chat, text, and public Slack.

Support Channels

Phone	1 (888) 534-1711
Email	support@justworks.com
Slack	slack.justworks.com
Text	1 (858) 247-0005