

Cost-saving Medical Care Alternatives for Small Business

Escalating premiums for the government's 'Affordable Care' insurance, coupled with continued economic turmoil, has made the task of finding affordable medical care even more challenging for small business owners.

Here are some alternative ways to maintain coverage while cutting costs.

Increase deductibles: Health Savings Accounts (HSAs) are high-deductible programs that allow participants to defer pretax funds that will NEVER be taxed if they are used for medical, dental, vision and other approved expenses. The employer saves a little on premiums and the employee is given the opportunity to build a savings account that performs better than a 401(k) or IRA. HSA's appear likely to get a Trump administration boost.

Many small group carriers allow 'split' plans, allowing an HSA to be offered alongside a 'premium' plan—with a lower deductible and copays. The employer pays against the HSA plan and allows employees to pay the full cost of the extra features in the upgrade.

Self-fund to increase control and reduce cost. The best way to cut insurance costs is to send less of your money to the insurance company! No surprise then that this technique—in which the employer effectively shoulders a deductible on the entire program—is used by most large employers. The sponsoring company structures and manages its own program, determining benefits to be provided, selecting the network to be used, choosing an administrator and then competing the insured part of the coverage, above a preset employer deductible, among a number of stop-loss insurance carriers.

Self-funded plans are exempt from state-mandated coverages (which generally add 10% or more to the cost.) The worst-case cost to run a self-funded plan is almost always lower than the best fully-insured quote, and in a good year a self-funded plan can actually become a profit center. In today's market, partial self-funding is a viable option for healthy companies with as few as 10 employees.

ACA ('Obamacare') requirements have distorted the current medical insurance landscape. Until the legislation is repealed, companies with 50 or 100 (depending on the state) or more employees are required to either provide coverage or pay a substantial penalty. And the insurance that is offered has to comply with a number of ACA requirements.

If the number of employees is less than the above figures, you DO NOT have an obligation to provide coverage. But neither can you—in the current environment—assist employees with the costs of coverage.

Limit coverage: limited benefit plans reduce premiums substantially, in exchange for sharply restricting coverage for major medical conditions. Deductibles and copays are relatively low, which employees like, but coverage for surgeries and extended hospital stays is limited. To receive major medical benefits, concerned employees can buy catastrophic individual policies or utilize community hospitals. These plans are suitable for employers whose only other choice is dropping plan sponsorship altogether.

Limit eligibility: group carveouts. Companies with at least 50 employees have the ability to select which classes of employees will be entitled to receive insurance coverage (non-eligible

classes can be excluded). Insurance companies that will provide this type of coverage are limited, but it can be done—if employer flexibility and a savvy agent are combined.

Executive plans. A practical means of reducing cost while maintaining a high level of coverage for key employees is 'executive plans', which allow a company with catastrophic coverage to hand-pick individuals to receive comprehensive coverage.

Enhancing individual policies. Employers that don't carry group coverage can assist their employees by installing a special form of 'flex' plan that allows employees to turn individual premium payments into pretax expenses.

How can we help you?

Wayne has been in the medical insurance business for 30-years and is licensed to help you directly, if you're located in Texas. If you operate out of Dallas, Austin or nearby locations, he'd be delighted to meet with you.

If you are located outside Texas, our recommendation is to contact the closest NAHU (National Association of Health Underwriters) office for a referral to an agent.

If you have questions that your current/local agent cannot answer, or just want to explore your current options, Wayne is available by telephone for limited consulting: \$200/hour, with a \$100 minimum. Send an email here to schedule an appointment: support@familybusinessoffice.net.

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