



Small Business Health Insurance

THE COMPLETE GUIDE



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THE BASICS

Managing health insurance for a business is complex, especially if you're unfamiliar with group health plans. Once you obtain a better understanding of healthcare coverage, you'll quickly find that not all health insurance plans work the same way.

Instead of getting overwhelmed, start with the basics. Let's go over what you must know about group health insurance before you begin offering plans to your employees.



What's The Difference Between Group Health Insurance And Other Types Of Insurance Plans?

A group health insurance plan is a plan that provides healthcare coverage to a select group of people. This plan is the most common benefit for business owners to offer to their employees.

However, individuals may opt for an individual health insurance policy. This means that an individual can purchase an individual health insurance policy that covers one person or that person's family.

Another differentiator between group health insurance and individual plans is how the insurer determines your premium. Individual plan premiums are based solely on the medical history of the insured or their family. Whereas group health insurance operates with a much larger group of people, meaning that they will balance the risk factors of the entire group to determine your premium. This will create lower premiums due to the distribution of the associated risks for the entire group.

In addition, group plans are split into different categories - fully-insured and self-insured plans. With a fully insured plan, the insurer sets premium rates for the year, collects the premiums, and pays for claims based on which plan you choose. In comparison, a self-insured plan allows a business to be in control of its own plan.

If you are concerned about potential losses from claims, self-funding can be a risky option. However, it can help small businesses eliminate the additional fees that insurance companies apply to their premiums. Protecting your business from potential losses can be done by investing in a stop-loss policy that allows you to evaluate savings and exposure.



SELF-FUNDED HEALTH INSURANCE

[Check out our post](#) explaining why self-funded health insurance might be right for your business.

Do I Have to Offer Group Health Coverage?

Offering a group health plan to your employees varies from business to business. However, the Affordable Care Act (ACA) mandates that Americans must have health insurance and can penalize those without health coverage. Small businesses with less than 50 full-time employees aren't necessarily required to provide health insurance to their employees.

A survey conducted by the Society of Human Resource Management (SHRM) showed that 95% of HR professionals named health care benefits as the most important benefit to offer to their employees. Quality healthcare coverage serves as a tool to retain and attract talented individuals.

If I Offer Group Health Insurance, What Are My Responsibilities?

If you offer group health insurance to your employees, you must follow the rules set by the ACA. When you begin offering group health insurance plans to your full-time employees, you must offer it to every full-time employee, not just a select few. In addition, you can't deny coverage to employees with pre-existing conditions. If you have part-time employees, you may choose to offer coverage to them as well.

Furthermore, there are financial responsibilities attached to offering health care coverage.

Other responsibilities include:



Covering the essential health benefits that health insurance plans must cover under the ACA



Offering health insurance to new employees within 90 days of their start date



Providing employees with a summary of benefits and coverage

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QUESTIONS TO ASK A GROUP HEALTH INSURANCE PROVIDER

Group health insurance coverage is a complex topic, and as a business owner, it's probably not your area of expertise. Before choosing a health insurance plan for your employees, ensure you obtain as much information as possible.

Whether you already understand the basics of group health insurance, or are just getting started, there are several important questions to ask before purchasing a plan for your business. Below are questions you should ask a provider about group health insurance coverage.



What Does My Plan Cover?

Be sure you ask your group health insurance provider for a detailed breakdown of what your plan covers so that you and your employees know what to expect.

It's also important to ask about any ancillary benefits - while some plans have add-ons for dental and vision plans, it's not always the case. Studies show that over half of employers offer separate dental plans, and over a third of employers offer vision plans. These plans add additional costs to your premiums but can serve as attractive benefits for current and potential employees.

How Many Plan Options Are Available?

There are multiple plans that you can choose from to offer to your employees.

These plans include:

- Exclusive provider organization (EPO)
- Health maintenance organization (HMO)
- Point of service (POS)
- Preferred provider organization (PPO)
- High-deductible health plan with a savings option (HDHP/SO)

Each of these plans offers different types of benefits. Be sure you ask your provider which plan is the best fit for your business. According to the Kaiser Family Foundation (KFF) 2019 Employer Health Benefits Survey, 76 percent of small firms offer only one plan, 20 percent offer two types of plans and four percent offer three or more plan types.

How Much Will Group Health Insurance Cost Me?

According to a KFF survey, the average premium costs for family coverage are \$22,221 per year and \$7,470 per year for single coverage. It is also noted that, on average, employers contribute around \$5,969 and \$1,243 to those premiums.

Health insurance costs can go up or down depending on various factors, meaning your contributions may differ. Ask your insurance company about what you can expect to pay for your plan and what they can do to help manage your group health insurance premium, including leveraging collective buying power or wellness initiatives.

Who Can Help Me If I Have Any Questions Or Problems?

A quality health insurance provider should have a team in place that assists you with any potential questions and issues in the future.

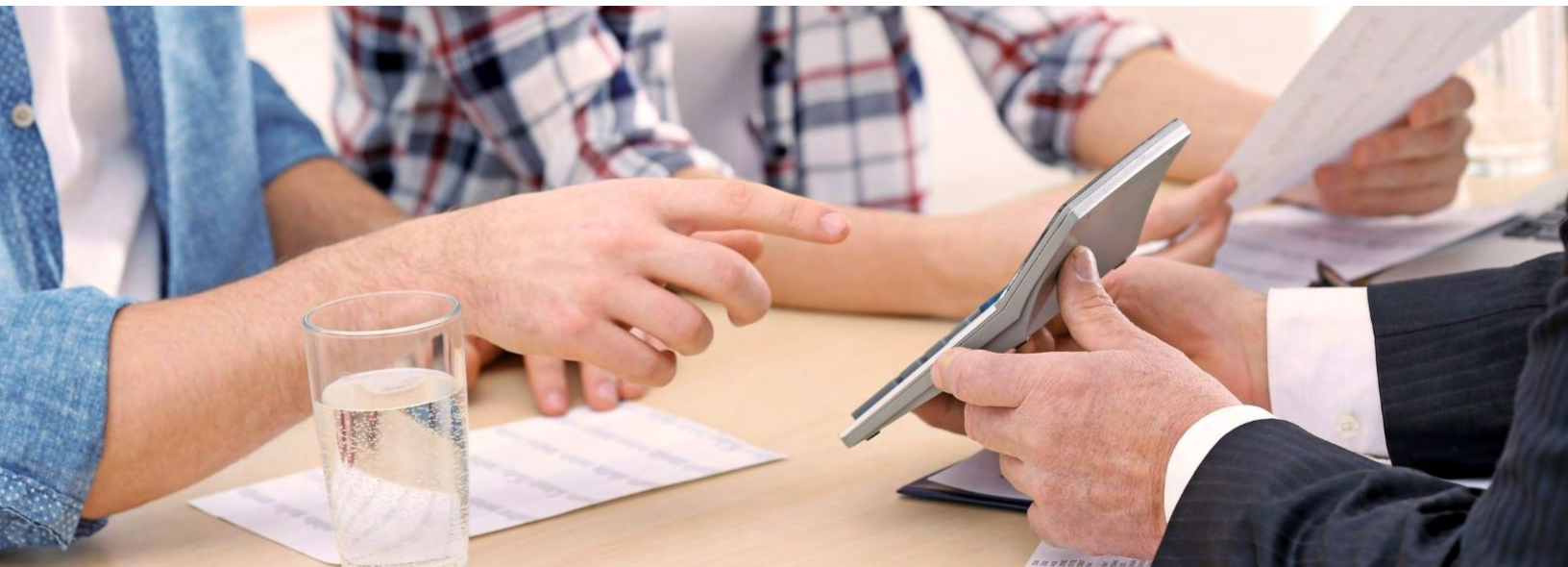
Ask about their customer service to find out who your contacts will be and how their process works. If they don't give you many details about who can help, that's a red flag to consider.

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HOW GROUP HEALTH INSURANCE PREMIUMS ARE CALCULATED & HOW YOU CAN MANAGE THEM

Small business owners weigh many factors when deciding whether to invest in a group health insurance plan, but often the decision comes down to price tag. The KFF's 2021 employer health benefits survey depicts that the high costs of insurance premiums are the primary reason firms won't offer health benefits. For business owners who already offer plans, rising insurance premiums can create stress and confusion, especially if the owner doesn't know how these premiums are calculated and how they can manage them.

Continue reading to see a rundown on what the insurance industry uses to calculate your group health insurance coverage premium and strategies that can lead to lower costs.



How Are Group Health Insurance Premiums Calculated?

Size and health of the group

The total number of people on your group plan can impact how much you pay. This number includes not only your employees who opt into your plan but also any family member who opts into your plan through an employee. A larger group of people can help lower your premium by spreading the associated health risks of a few people over an entire group.

However, the overall health of the group does affect your premium. While the Affordable Care Act doesn't allow insurers to change premiums or deny insurance based on an individual's pre-existing conditions and overall health status, the American Academy of Actuaries notes that the overall health of the group can play a role in determining premiums.

“If a risk pool disproportionately attracts those with higher expected claims, premiums will be higher on average,” the Academy writes. This factor can work in your business's favor, as the Academy also notes, “If a risk pool disproportionately avoids those with higher expected claims or can offset the costs of those with higher claims by enrolling a large share of lower cost individuals, premiums will be lower.”

Average age of the group

While the ACA no longer permits insurers to use certain factors like gender to alter premiums, it still allows insurers to consider age in premium determinations. According to independent actuarial and consulting firm Milliman, “rating by age is still allowed under the law as long as the ratio of the highest-cost adult age band to the lowest-cost adult age band does not exceed 3:1.” In a group plan, this means the average age of your group can play a part in what you pay.

An employer's claim history

All those visits to the doctor can add up. Insurance providers use the total number of claims and price to determine adjustments to your premiums over time. When renewing your policy, an insurer will review your group's claim history and adjust accordingly. If a few employees had medical issues that led to frequent or costly visits, that may be reflected in your updated premium cost.

Type of occupation

Different lines of work carry different levels of risk. Your insurance provider may adjust your rates depending on the general occupation of your workers. For example, clerical staff don't face the same health risks as factory, construction, or offshore workers, so insurance premiums for a group of office workers may be less than other occupations.

Type of coverage and desired add-on benefits

Not all group health plans are the same. The level of coverage will play a significant role in how much you and your employees pay. Better coverage and lower out-of-pocket costs can lead to higher premiums. Bundling extra add-ons such as dental and vision plans will also increase your premiums due to the additional coverage.

How Can I Save on Group Health Premiums?

Health insurance premiums can be expensive for a small business owner, but you don't have to resign yourself to what your company is being charged. There are potential strategies that you can use to help you lower your costs and improve the health of your employees.

Workplace wellness program

Since the number of claims has a direct impact on your premiums, it can pay to improve the overall health of your employees. A customized workplace wellness program can help foster healthier lifestyle choices through health education and wellness activities. This, in turn, can lead to fewer doctor visits caused by preventable diseases, leading to a healthier, more active workforce and lower overall premiums.

Telemedicine

Another way to limit the number of doctor's visits is to give your employees access to a 24/7 mobile doctor. Telemedicine services give your employees the freedom to connect with a professional physician via phone, video, or online chat. This allows them to get the answers they need without having to schedule an in-person appointment with the doctor, meaning no copay for them and no extra claim for your plan.

Economy of scale

Depending on where you get your insurance from, you may be able to take advantage of economy of scale. While larger companies have more employees and greater buying power, smaller businesses don't have quite the workforce to take advantage of savings associated with the economy of scale. However, a professional employer organization (PEO) can give you the buying power to receive lower premium costs.

APEO can leverage the collective buying power of all their group health clients, acting as one large company that can purchase plans at lower premiums. This helps your business avoid costly administration fees and save money without sacrificing the quality of your group plan.

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ABOUT GMS

GMS is a Professional Employer Organization (PEO) and a third party administrator (TPA). GMS was founded by Mike Kahoe in 1996 and has helped thousands of companies take control of their HR functions.

We are HR professionals. We take on the administrative burdens that companies don't have the time or expertise to effectively manage, including:

- Payroll and Tax
- Human Resources
- Employee Benefits
- Risk Management
- TPA Services (for insurance brokers)

We make employee management simpler, safer, and stronger. We save you time and money. You retain full control over your employees, and regain the opportunity to focus on growing your business. Leave the HR details to us.

Call 330-659-0100 or visit www.groupmgt.com.

