

How to Purchase Health Care Insurance as a Small Business

Scott Chapin, Benefits Consultant
RJF Agencies



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Purpose of Session

- Decipher how to choose the best program
- Learn what consumer-driven programs offer
- Discover strategies to combat rising costs



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Small Group Generalizations

1. Defined as 2-50 lives
2. Require standardized plan designs
3. Use rating caps
4. Offer guaranteed issue
5. Uniform applications unavailable



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Reasons for Purchasing Coverage

- Recruitment
- Retention
- Financial stability for key employees



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Group Versus Individual Insurance

- Cost
- Coverage, including maternity
- Tax benefits



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Group Coverage Eligibility

- Depends on state statutes
- Includes owners
- FTE-30 Hours Per Week-Non-Seasonal



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Employer Contributions

- 50% of single premium
- 0% of dependent premium



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Learn the Lingo

- HMO (Health Maintenance Organization)
- PPO (Preferred Provider Organization)
- HDHP (High Deductible Health Plan)
- H.S.A. (Health Savings Account)
- H.R.A. (Health Reimbursement Arrangement)



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Learn the Lingo

- Deductible
- Coinsurance
- Copayment
- Eligible medical expenses



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Carrier Selection

- Independent agent/broker
- Direct writer



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Purchasing Process

1. Select independent broker/agent
2. Survey employees
3. Complete census
4. Understand rating caps



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Purchasing Process

5. Ask about uniform applications
or select three carriers
6. Wait for final rates
7. Base Rates/Final Rates



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Plan Design Options

- Traditional plans
 - Deductible
 - Coinsurance
 - Office visit copayments
 - Drug card



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Plan Design Options

- Consumer driven health plans (CDHP)
 - Provides greatest control to member
 - Requires member to pay routine expenses
 - Protects member from catastrophic expenses
 - Offers tax benefits



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Plans for Bike Shops

- Consumer driven health plans (CDHP)
 - Lower premiums for company and employees
 - Low expenses for healthy employees
 - Tax benefits



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Plan Design Options

- Types of CDHP
 - Health reimbursement arrangements (HRA)
 - High deductible health plan (HDHP) with health savings account (HSA)



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Health Reimbursement Arrangements (HRA)

- Employer owns the account
 - Employer reimburses employee for expenses
 - Employer receives tax benefits



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High Deductible Health Plan (HDHP)

- Lower premiums than traditional plan
- Higher deductibles than traditional plan



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HDHP Requirements

- Minimum deductible
 - \$1,200 single / \$2,400 family
- Maximum out-of-pocket
 - \$5,950 single / \$11,900 family
- Deductible
 - (includes prescriptions and office visits)
 - single / family



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Health Savings Account (HSA)

- Only available with HDHP
- Similar to “medical IRA”
 - Employee owns account
 - Funds qualified medical expenses
 - Offers pre-tax contributions
 - Pre-tax social security, medicare, federal taxes
 - Pre-tax state taxes depends on state statutes



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Qualified Medical Expenses

- Plan defines based on FEHB law and Section 213
- IRS Publication 502 provides guidelines
- Includes anything insurance normally covers, including standard medical bills, eye glasses, dental needs, over the counter prescriptions



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HSA Contributions

- Maximum contributions
 - \$3050 single / \$6150 family
- Catch-up contributions for 55+
 - \$1000
- Employer may contribute to HSA



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Funds

- Owned by the individual
- Contributed pre-tax
- Available at anytime
- Grow tax free if used for eligible expenses
- Grow tax deferred if withdrawn at retirement
- May be invested if bank offers



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Employer Benefits

- Employee contributions are pre-tax from employer's social security and medicare
- Employer contributions are business income deduction, similar to premiums



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Consumerism 101

- CDHP/HSA promote people to price shop
- Pharmacies becoming price sensitive
- Doctors becoming aware



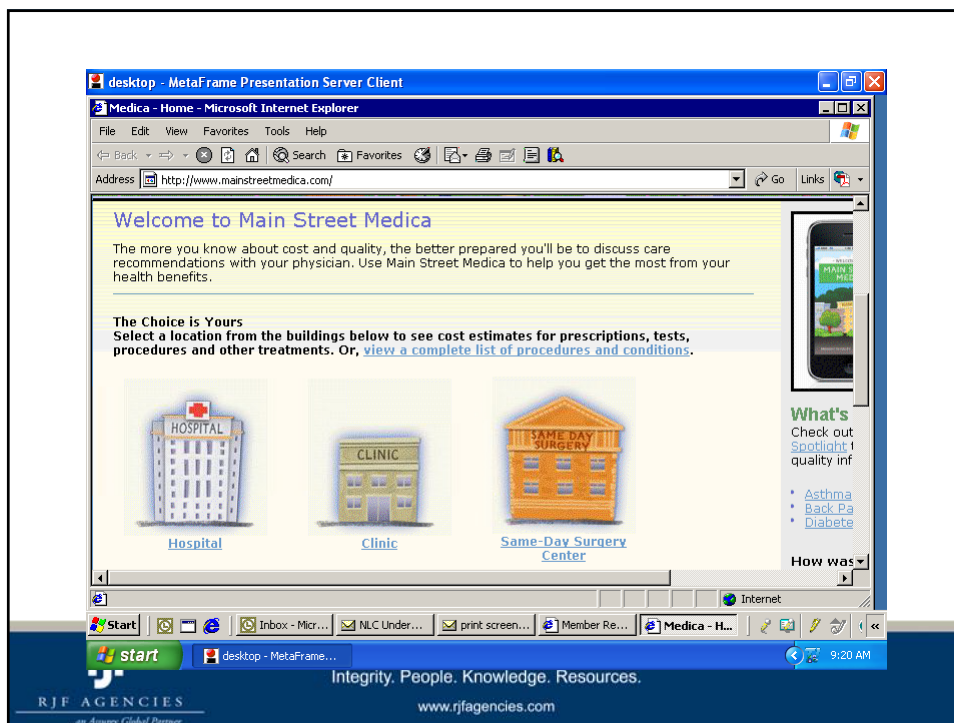
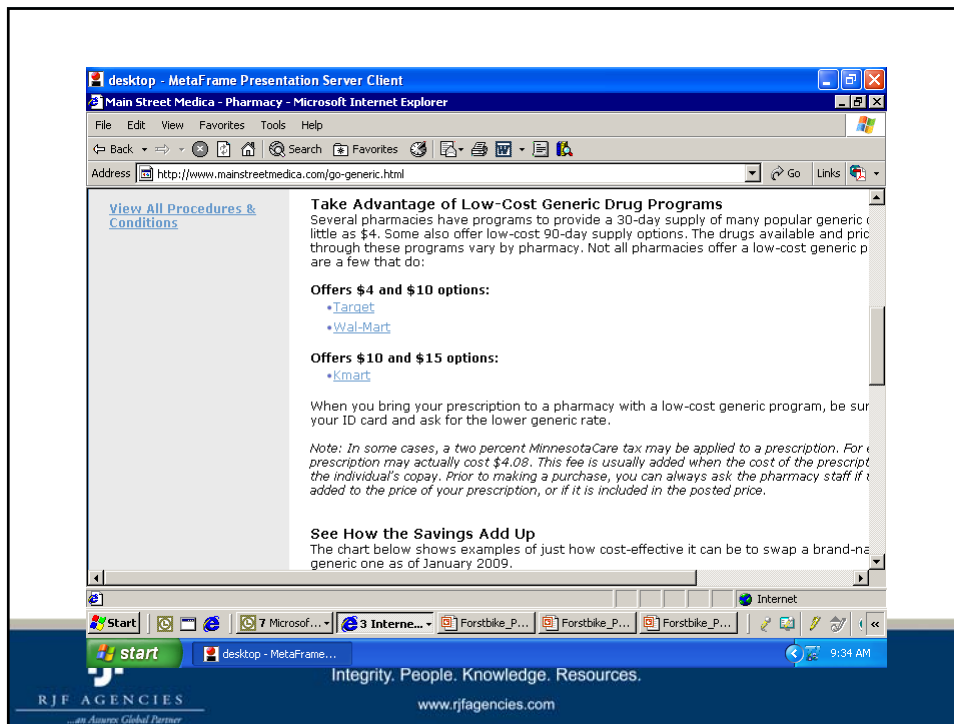
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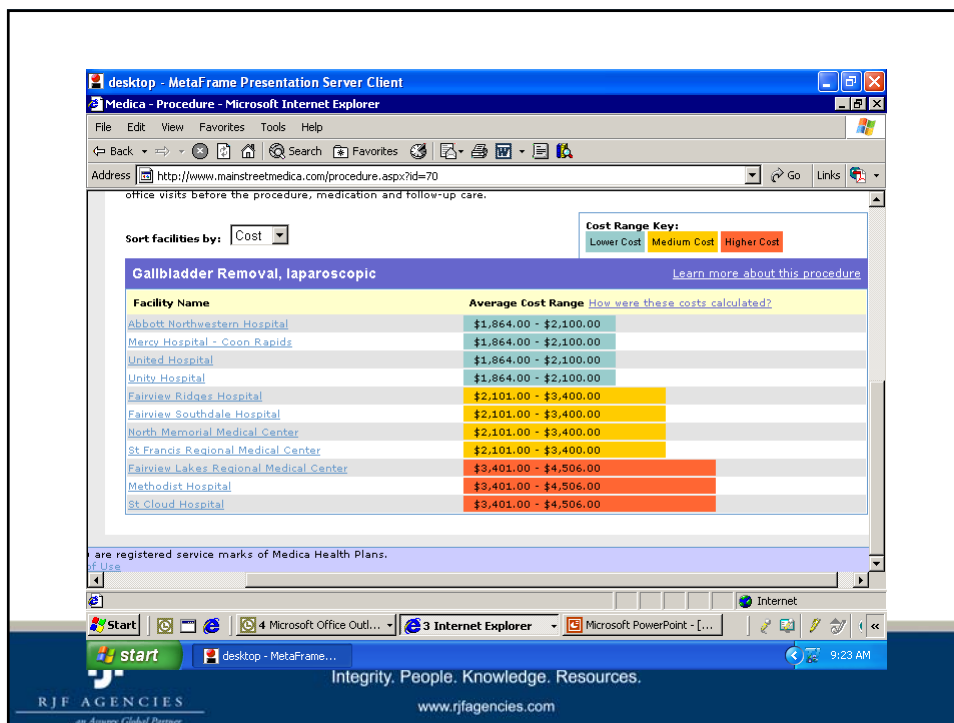
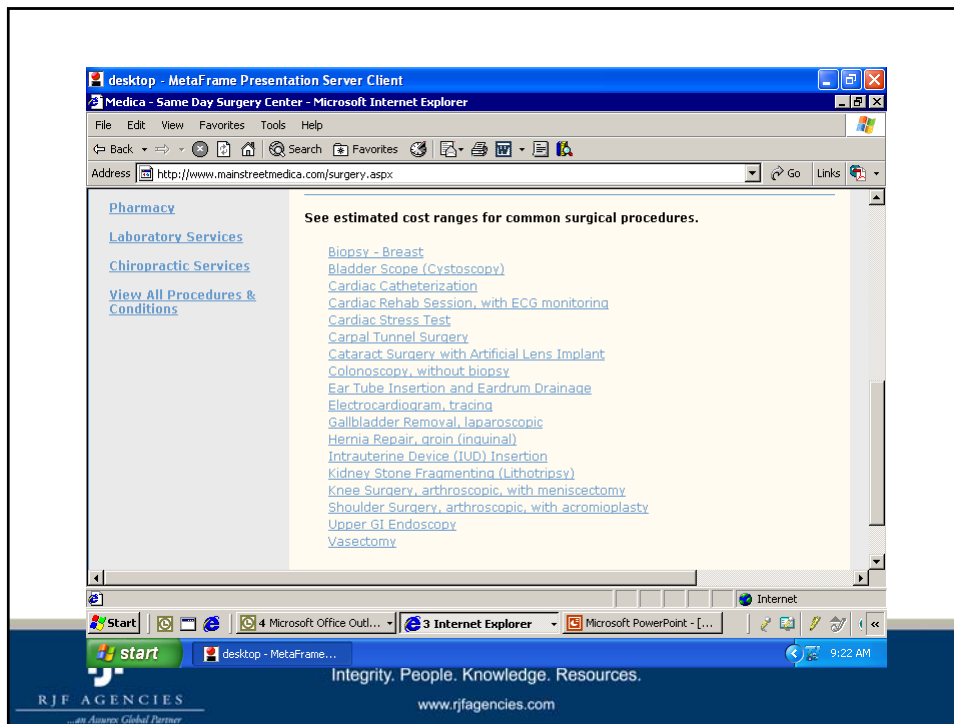
Strategies to Combat Rising Prices

- Transparent Costs (Main Street Medica)
- On-Line Pharmacy Costs
- Carrier Mail-In Prescriptions
- Ask Doctor for Alternatives-Rx
- Use of Carrier “NurseLine”



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The screenshot shows a web browser window titled 'Medica - Procedure - Microsoft Internet Explorer'. The address bar shows 'http://www.mainstreetmedica.com/procedure.aspx?id=72'. The page content is titled 'Upper GI Endoscopy' and includes a table of facility names and their average cost ranges. The table is sorted by 'Average Cost Range' and includes a link to 'Learn more about this procedure'.

Facility Name	Average Cost Range
Abbott Northwestern Hospital	\$781.00 - \$1,290.00
Aspen Digestive Health Clinic	\$476.00 - \$780.00
Avera McKennan Hospital & Univ Health Center	\$1,291.00 - \$1,739.00
Buffalo Hospital	\$781.00 - \$1,290.00
Cambridge Medical Center	\$1,291.00 - \$1,739.00
Children's Health Care - Minneapolis	\$781.00 - \$1,290.00
Children's Health Care - St Paul	\$781.00 - \$1,290.00
Children's Healthcare West	\$781.00 - \$1,290.00
Cuyuna Regional Medical Center	\$1,291.00 - \$1,739.00
Douglas County Hospital	\$476.00 - \$780.00
Fairview Lakes Regional Medical Center	\$781.00 - \$1,290.00
Fairview Maple Grove Surgery Center, LLC	\$781.00 - \$1,290.00
Fairview Northland Regional Hospital	\$1,291.00 - \$1,739.00
Fairview Ridges Hospital	\$781.00 - \$1,290.00
Fairview Southdale Hospital	\$781.00 - \$1,290.00
Glencoe Regional Health Services	\$476.00 - \$780.00
HealthPartners Same Day Surgery Center	\$476.00 - \$780.00

The browser window also shows the Windows taskbar with the Start button, several open applications (Microsoft Office, Internet Explorer, Forstbrike_Presen...), and the system tray showing the time as 9:26 AM. At the bottom of the browser window, there is a footer for 'R.J.F. AGENCIES' with the tagline 'Integrity. People. Knowledge. Resources.' and the website 'www.rjfagencies.com'.

How to Choose The Best Program

- Broker will present many deductible options
- Cost differences may be great-so will risks
- Decision may be budget-dependent
- Need to look at anticipated health claims

The footer of the slide features the R.J.F. AGENCIES logo on the left, which includes the letters 'rjf' in a stylized font above the text 'R.J.F. AGENCIES' and the tagline '...an Allianz Global Partner'. To the right of the logo is the tagline 'Integrity. People. Knowledge. Resources.' and the website address 'www.rjfagencies.com'.

- Higher deductibles-lower premium
- Take premium difference and fund employee's H.S.A. account
- Have option to change deductible at renewal



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