



**KNOX COUNTY CHAMBER OF COMMERCE**

**Connecting Members. Promoting Business.**

**Small Business Forum: Coffee and Networking**

# **Health Insurance & Employee Benefits For Small Business**



**Insurance Agency**

**Since 1939**



**Insurance**



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**John** has worked in the insurance industry for 19 years and is currently working on his CIC designation (Certified Insurance Counselor.) He is licensed in Life, Health, Accident, Property, and Casualty Insurance.

John lives in Fredericktown, Ohio with his wife, Amy and two sons Drew & Riley. John is licensed in Property, Casualty, Life, Health, and Accident insurance.



## **Liz Mason, CISR**

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**Liz** has worked in the insurance industry for 4 years and recently obtained her CISR designation (Certified Insurance Service Representative. She is licensed in Life, Health, Accident, Property, and Casualty Insurance, and specializes in Employee Benefits

Liz lives in Bellville, Ohio with her husband Trent, and her daughter, Katherine.



## Dumbaugh Insurance

- Founded in 1939
- 3 Locations – Mt Vernon, Delaware, & Fredericktown
- 10 Employees
- Offering – Commercial, Personal, Farm, Employee Benefits, & Life

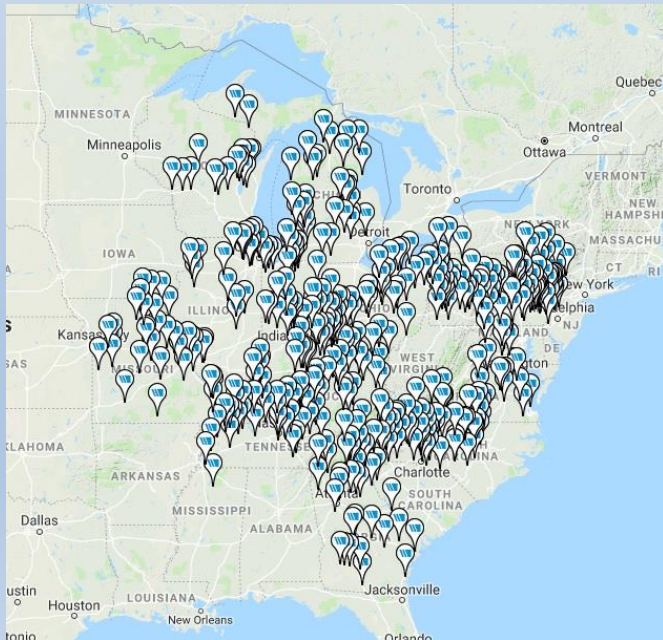


For individuals, families, and businesses that are looking for insurance coverage and financial services, Dumbaugh Insurance offers a consultative approach to develop the right coverage for their clients' needs, with specialized pricing and coverage from insurance carriers.



## Keystone Insurers Group Partner

- Over 270 Partners in 12 States
- \$3.2 Billion Insurance Premium Placed in 2017
  - #3 in US Agency Partnerships
  - Access to Divisions, Consultants





## Types of Health Insurance

- Individual
- Group
  - Small Group (2-50 full time employees)
  - Large Group (51+ full time employees)





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## Individual Health Insurance

- Individual health insurance could be for families or for a single person.
- Can be less or more costly than group health insurance.
- Individuals can choose to go “on” the exchange and elect health insurance. Log on to <https://www.healthcare.gov/> to shop for plans.
- Individuals can also go “off” the exchange and find plans directly from a carrier or through a broker who represents a number of carriers.





## Small Group Health Insurance - FAQ

**How many employees do I need for a group health care plan?**

You need 2 full time employees to enroll

**What is considered full time?**

Any employee regularly working 30 hours or more hours a week.

**May I offer health coverage to part time employees?**

No, it must be for full time employees only.

**Do I have to meet any participation requirements?**

Yes, you typically need to have 50% of eligible employees enroll after valid waivers.

**What is a valid waiver?**

- Other group coverage through a different employer
- Other group coverage through a spouse or parent
- Coverage through Medicare, or Tricare



# Small Group Health Insurance - FAQ

## **How Premiums are determined for Small Groups**

Under the Affordable Care Act, employers with under 50 full time employees in Ohio use community based rates to offer health insurance policies within a given territory at the same price to all persons without medical underwriting regardless of their health status.

Premiums are based on the following;

- Age
- Sex
- Tobacco Use
- Home Zip Code

## **Will premiums be higher or lower than another broker?**

Premiums will be the same among brokers for small group health insurance for the same company. Any differences will be based on differences in the census or discounts.



## Small Group Health Insurance - FAQ

### **What discounts do you offer?**

We offer a Chamber of Commerce discount through Anthem

### **What other options are available?**

Two, but both options require medical underwriting from every employee (not just the employees taking coverage) and will decline groups with poor health.

1. Level Funded Self Insured Plan
  - Requires 5 or more employees enrolling
2. Multiple Employer Welfare Association (MEWA)



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## ACA Fully Insured Plans

- The Affordable Care Act: The Affordable Care Act was signed into law on March 23, 2010. It mandated that everyone get health insurance or pay a tax and provided subsidies for lower income individuals. It also required that insurance plans cover pre-existing conditions without charging more and that they provide free preventive care.
- Any fully insured plan available now is required to be ACA compliant.
- Employers can choose from a wide range of plans categorized by metallic levels:
  - Bronze: 60/40
  - Silver: 70/30
  - Gold: 80/20
  - Platinum: 90/10
- There are a wide range of deductibles to choose from \$500 to \$7,000
- How Premiums are determined for Small Groups -
  - Under the Affordable Care Act, employers with under 50 full time employees in Ohio use community based rates to offer health insurance policies within a given territory at the same price to all persons without medical underwriting regardless of their health status.
  - Premiums are based on the following:
    - Age
    - Sex
    - Tobacco Use
    - Home Zip Code





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## Level Funded Plans

- Level funded plans are also known as a partially self-funded plans. Level funded plans have four main components:
  - Administrative costs – fixed costs charged per employee
  - Individual Stop Loss Coverage –insurance that puts a limit on the amount the employer would be responsible for paying for any one individual employee
  - Aggregate Stop Loss Coverage - the employer is responsible for paying any claim up to the stop loss aggregate limit which is a total amount for claims for the term
  - Claims – the individual premium charged for each employee
- Groups with 5 or more employees enrolling are eligible for level funded products
- Level funded carriers will require medical underwriting from every employee (not just the employees enrolling) so groups with poor health will normally be declined



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## MEWA (Multiple Employer Welfare Arrangement) Plan

- MEWA's combine the risk pools of several employers and their employees to provide lower cost health insurance
- Since these plans combine the demographics of two groups of employees it may only be beneficial to groups who have healthy members





## Large Group Health Insurance

- Employers with groups of 51+ full time eligible employees
- Group medical history typically required





## Other Benefit Plans & Options

### **Ancillary, Voluntary, or Supplemental Plans**

- Life – Group or Voluntary
- Disability – Short Term or Long Term
- Dental & Vision
- Accident, Sickness, Cancer, & Critical Illness
- Limited Medical

### **Things to Consider**

- Network - PPO vs HMO
- HSA – Health Savings Account
- HRA – Health Reimbursement Arrangement
- FSA – Flexible Savings Accounts
- Section 125 (Cafeteria Plan)
- Wrap Document



## Group Life or Voluntary Life?

- Group Life is purchased on all full time employees without medical underwriting for either a
  - Flat amount such as \$10K, \$20k, or \$50k, or
  - Multiple of Income – 2X Salary
  - Rates typically around .20 to .30 per thousand
    - \$20k x .25 = \$5 per month, or \$60 a year per employee
- Voluntary Life may be offered to all full time employees to supplement their personal life insurance
  - Benefits Include
    - Guaranteed Issued with minimum questions





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## Disability

Disability Insurance replaces your baseline income if you are too ill or injured to work

- Typically provides 40 to 67% of your base salary (no taxes)
- Short Term Disability
  - Deductible typically 7 days
  - Coverage for usually 13 weeks
- Long Term Disability
  - Deductible usually matching Short Term Disability
  - Coverage available for anywhere from 2 years to age 65.
  - Coverage for your own occupation available



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## Voluntary Dental & Vision

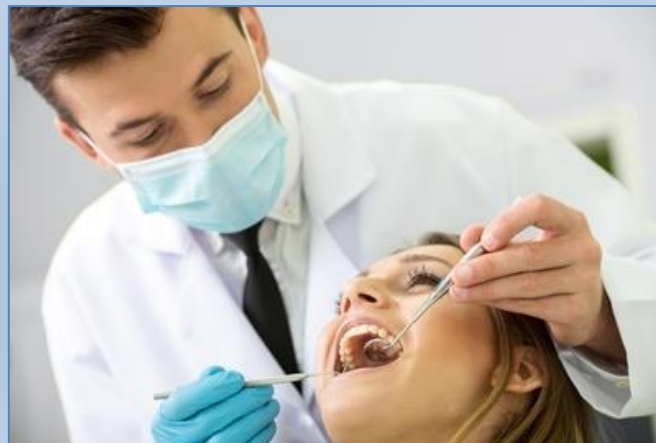
- Employers can offer dental and vision insurance for their employees along with the medical as a package and can save money on matching FICA
- Most dental and vision plans are voluntary meaning employees pay their full share of premium and employers do not contribute





## Dental Plans

- Individuals, small groups, or large groups can purchase dental insurance
- Dental insurance is largely the same across most carriers
- You have an annual maximum limit, ie \$1,000 and services are covered under one of three tiers: Preventive, Basic, and Major
- Each tier has a co-insurance limit that the insured is responsible for
- Some plans have deductibles and some offer coverage without a deductible





## Vision Plans

- Individuals, small groups, or large groups can purchase vision insurance
- Vision insurance can vary from network to network
- Some plans have a copay for the exam and a copay for the materials
- Most plans have an annual maximum limit for materials such as contact lenses and frames





## Ancillary Products

- Employers can also offer ancillary products to their employees
- Ancillary products can be voluntary or not and include accident, cancer, basic life, sickness, and AD&D
- Many carriers like AFLAC specialize in these products
- Some ancillary products can be packaged in with dental and vision





## Self Insured Plans

- Self funded plans are usually a good fit for large groups with 100 or more employees
- With a self insured plan, the employer will operate their own health insurance plan instead of enrolling employees in a fully insured plan from a carrier
- To help reduce the risks, many self-insured groups will also purchase stop loss coverage to go along with the underlying plan
- Self insured plans allow employers to avoid the profit margin that the insurance companies include in a fully-insured plan





## PPO vs HMO

- ACA, Level Funded, and Self-Insured plans typically can have one of two networks:
  - ✓ PPO (Preferred Provider Organization) – PPO plans have a network of preferred providers. Members can choose to be seen by an in network provider and have a lower cost share or they can be seen by an out of network provider at higher coinsurance
  - ✓ HMO (Health Management Organization) – An HMO has a set network of providers that members can choose from. Unlike a PPO, if the provider is out of network, there is no coverage under the plan unless deemed a medical emergency





## HSA (Health Savings Account)

- HSA's are a type of savings account that allow you to set aside money on a pre-tax basis to pay for certain medical expenses
- Only high deductible health plans are eligible to have an HSA
- Every year, the Federal government establishes a limit of how much a person can contribute to their HSA each year
- For 2018, the limit is \$3,450 for individual and \$6,900 for family
- HSA funds roll over year to year and can earn interest
- Employers can also contribute to an HSA up to a certain dollar limit





# HRA (Health Reimbursement Arrangement)

- HRA's (Health Reimbursement Arrangements) are a great tool that can reduce the overall cost that employees pay for their health insurance
- An HRA is an arrangement that employers can set up to reimburse employees up to a certain amount for charges made by the employee toward their deductible
- Employers can decide to contribute only to medical, only to dental and or vision, or both





## FSA (Flexible Spending Account)

- FSA's are an arrangement made by the employer much like an HSA that allow the employees to use the funds to pay for out of pocket medical expenses
- Some eligible expenses include copays, deductibles, some prescription drugs
- Employers can contribute up to certain specified amount
- However, unlike an HSA, all of the leftover funds do not roll over every year and at the end of the year, employees have one of two choices:
  - 1) Spend the remaining money over the next 2.5 months or lose it
  - 2) Carry over up to \$500 to the next year





## Section 125 Cafeteria Plans

- Section 125 (Cafeteria) Plans allow the employee to take advantage of Section 125 of the IRS Code meaning employees can pay certain qualified expenses pre-tax which reduces their total taxable income and increases what they take home
- A Section 125 is essentially a tax filing not a true “plan” with comprehensive benefits  
Some qualified expenses include:
  - ✓ Accident and health benefits (but not Archer medical savings accounts or long-term care insurance)
  - ✓ Dental Plans
  - ✓ Vision Plans
  - ✓ Adoption assistance
  - ✓ Dependent care assistance
  - ✓ Group-term life insurance coverage
  - ✓ Health savings accounts, including distributions to pay long-term care services





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# Thank You!



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