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## Featured Article

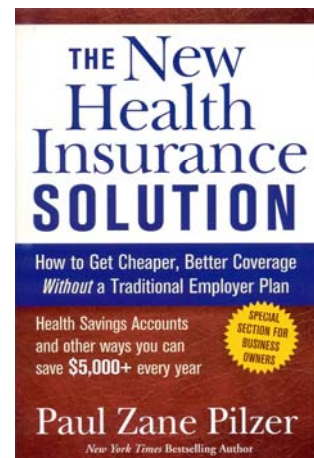
### Cutting Health Care Costs with Individual Plans

According to some estimates, more than 50% of small business owners don't offer health care insurance. Group policies can be both costly and restrictive, especially for companies with only a handful of employees who can't meet eligibility requirements. This makes it difficult to offer a perk that can really make a difference in recruiting and retaining employees. The solution, according to Paul Zane Pilzer, author of *The New Health Insurance Solution*, may lie in offering individual plans.

In 2005, the federal government made it possible for businesses to offer health reimbursement arrangements (HRAs), which paved the way for business owners to offer individual plans. "Through HRAs, you can offer 'defined contribution healthcare,' giving your employees a fixed amount of money to buy their own policy," Pilzer says. "And your contribution is completely tax-deductible to you and non-taxable to your employees."

#### Changing the Insurance Paradigm

Pilzer also points out that shifts in the landscape have changed the paradigm. Group plans were once considered much more inexpensive and efficient than individual plans. "Group healthcare represents uncertain costs—it's an open-ended obligation," notes Pilzer. "With these plans, your premiums increase anytime an employee, their spouse or children get sick. And, the following year's premium is equal to last year's claims history, plus 10% to 20% for the carrier's overhead. Individual plans, on the other hand, are permanent. Once you have one, your premiums can't be raised due to illness or claims history."



Pilzer also notes that, in terms of cost, individual insurance is now more competitive than ever with group plans. Some of this competitive edge has to do with decreased paper costs because so much can now be done online. "But mostly it has to do with the fact that, in 46 states, carriers are now allowed to offer substantial individual plan discounts to the 80% to 90% of applicants who are basically healthy," Pilzer says.



One issue that must be considered in moving to individual plans is the 10% to 12% of employees who don't medically qualify for individual policies are receiving government funding. In 1996, the federal government ruled that by 2005, all states must have some type of mandatory coverage for a medically uninsurable person—someone who has been rejected by the private market due to past health issues. "So we now have state-guaranteed coverage, which used to be called 'state risk pool' coverage," states Pilzer. "In almost all states, it's the same coverage you would buy in an individual policy—so business owners can still offer these people coverage—but it costs about twice the price *only* for the sick person in your family. And, if you make a claim for more than the premium, the state pays the carrier."

If you're considering offering individual policies, speak with your broker about how to implement a plan or for a referral to a broker who can help. You can also learn more by going to Pilzer's [state-by-state coverage guide](#).