

Healthcare benefits within your employees' reach

BY PAUL ZANE PILZER

Offering superior healthcare benefits can make a difference in attracting and retaining capable personnel, cultivating good morale in the office and being able to protect your staff and their families from economic hardship caused by sickness and disability.

Offering superior healthcare benefits even helps you beat the competition in the search for the best employees — an important factor, since your employees are key to patient retention.

If you don't provide competitive healthcare benefits, your staff may seek an employer who does. However, for small businesses such as most chiropractic practices, traditional group plans are often cost-prohibitive. Worse, if a catastrophic illness hits one of your covered employees, rates go up — no matter the health of the rest of your staff. Healthy employees pay a penalty for a sick one.

Group healthcare benefits aside, you do have options to help your employees access affordable individual or family healthcare coverage.

HRAS TO THE RESCUE

The primary vehicle by which small employers can provide individual healthcare benefits to their employees is through health reimbursement arrangements (HRAs). HRAs are a tax-free benefit to employees. The funds you allocate to an HRA can be used for any qualified medical expense, including premiums on individual or family healthcare coverage.

The Internal Revenue Service (IRS) explains that an HRA must be funded solely by the employer — employee contributions are not allowed, not even voluntary salary reductions. Employees are reimbursed tax-free for qualified medical expenses — such as insurance premiums — up to a maximum dollar amount for a coverage period.

If you offer HRAs, you must provide the same benefit to everyone within a class of employees.



On the horizon

Healthcare remains a burden for everyone. Congress is slowly addressing the problem. One of the stop-gap solutions it is developing is the Small Business Health Fairness Act (H.R. 525), a bill that will expand access to health coverage for many of the 45 million Americans who are currently uninsured. The bill will allow small businesses to band together through association health plans (AHPs) to provide healthcare to their employees at a lower cost than they could afford as individual small employers. 

HSAS

Health savings accounts (HSAs) are another vehicle through which you can provide health benefits to your employees — even if you provide other healthcare, such as group healthcare coverage. The purpose of HSAs is to give employees monies from which they can pay for qualified medical expenses (such as doctor visits or prescriptions or laboratory work), tax-free. (HSA money, however, cannot be used to pay for insurance premiums except when employees are receiving unemployment benefits.)

Employees must enroll in a high deductible health policy (HDHP) to qualify for an HSA. Employees and employers can both contribute tax-free dollars to the account, up to the maximum amount allowed.

HSAs replace Medical Savings Accounts (MSAs) and have much better benefits.

As a small employer who cares for your employees, you can actually contribute to both a health reimbursement arrangement as well as a health savings account, for maximum benefits for your employees.

CONTINUED ►

Why individual coverage is better

Individual healthcare coverage is a better deal than group coverage because when one person in a group gets sick, everyone pays. Rates for everyone go up because of one person's heart surgery, for example. Healthy employees pay for the expenses of a sick co-worker.

Rates for individual healthcare coverage, on the other hand, cannot be raised because of the health condition of a specific individual. They can go up for general reasons, such as the total loss experience of everyone with an individual policy in your state, but not because you had a specific health problem. And insurers cannot drop an individual because of a health condition. 

HOW TO BEGIN

The health benefits you offer employees have a significant impact on your business, both financially and administratively. Today's trained and experienced professionals expect a comprehensive benefits package.

Choosing the right health benefit plan for your employees is a complex task that includes taxes, legal aspects, funding and selection of carriers. To get started on providing employees healthcare coverage:

1. Determine what you can afford to contribute.

Ascertain if this amount should be given in a health reimbursement arrangement, to a health savings  account or in a combination. Your accountant can advise you of the financial implications to your

practice. But remember: These benefits you provide to your employees are tax-free to them — a great recruiting and retention tool.

2. Work with a professional. A professional benefits administrator can help guide your decisions and set up a system to administer the HRA and/or HSA.

3. Provide resources to your employees. Working with your benefits administrator, identify health plan resources for your employees. Invite healthcare administrators to meet with your employees and explain how HRAs and HSAs work and how they benefit employees.

4. Emphasize healthcare — not sick care. Encourage your employees to make wise decisions about their health and to live healthy lifestyles. 



Economist Paul Zane Pilzer is Chairman of Extend Benefits Group

(www.extendbenefits.com), a healthcare benefits solutions provider. Author of The Wellness Revolution and The New Health Insurance Solution (to be published in October 2005), he can be contacted through www.paulzanepilzer.com.