

Small Business

# 9 Reasons to Offer Small Business Health Insurance

Updated on December 03, 2019

---

Share   



## 9 reasons to offer small business health insurance:

1. **Lower premiums** – Group plans tend to be cheaper on average than individual plans.
2. **Tax incentives** – Businesses can deduct the cost of premiums from their federal business taxes, and some small businesses may qualify for a tax credit.
3. **Improve hiring and recruiting** – A robust benefits package can appeal to both new hires and current employees alike while setting businesses apart from competitors.
4. **Employee loyalty and retention** – Offering group health insurance can help small businesses keep their top employees for the long term.
5. **Employee job satisfaction** – Having happy employees who are content with their jobs and health benefits can make for happier employers.
6. **Healthier, more productive employees** – When workers take less sick days and absences, they can retain focus and achieve more while having access to health care resources when needed.
7. **Foster a healthy company culture** – Show your employees that their health is important to you by promoting a positive culture, encouraging wellness initiatives, and offering health coverage.
8. **Pre-tax benefit for employees** – Another benefit of providing small business health insurance can be more after-tax money available for workers.
9. **Place health coverage within reach of employees** – One reason employers offer group health insurance is to make medical coverage more accessible and affordable to their employees.

As a small business owner, you may be wondering whether you should offer health insurance to your employees. Deciding to offer small business health insurance can be a big decision for any company, and you may have questions about why you might provide health coverage as one of your employee benefits.

For example: offering health insurance helps your workers, but what are the benefits for the employer? Are there financial and tax advantages associated with group health insurance? Can offering small business health insurance enhance your ability to recruit and retain employees?

You may be surprised to learn that there are many ways that small business health insurance can help your company operate more strategically, efficiently, and effectively. Not only does a small business health insurance plan benefit employees, but employers might find that there are plenty of ways that a group plan helps them out as well.

Keep reading to learn 9 great reasons to offer small business health insurance.

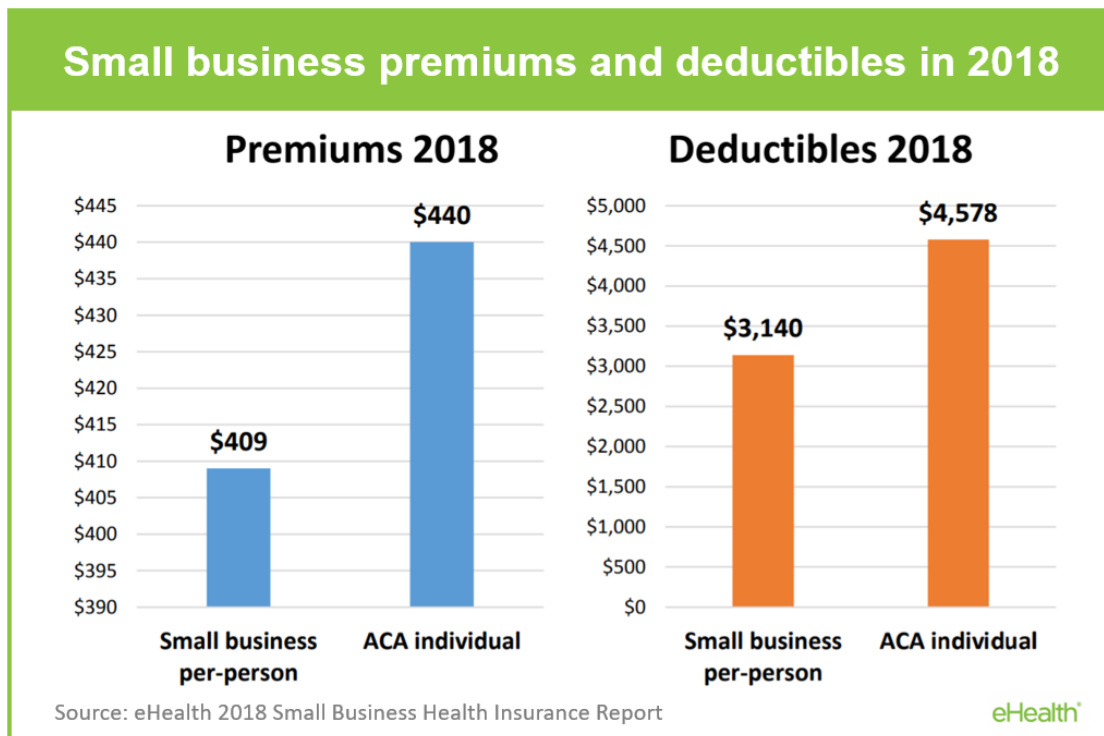
## **1. Access to lower monthly premiums**

From a cost perspective, it may make sense to offer small business health insurance due to the reduced price of a group health plan. Generally, small business health insurance plans tend to have lower per-person costs on average, compared to health coverage in the individual market.

According to a recent [eHealth study](#):

In 2018, the average premium per-person through a small business plan (\$409) was 7 percent lower than the average premium for an individual health insurance plan (\$440).

The average individual deductible for small business health plans was 31 percent (\$1,438) lower than the average deductible for individual health insurance coverage (\$3,140 vs. \$4,578).



Source: [eHealth 2018 Small Business Health Insurance Report](#)

This means that enrolling in a group health insurance plan can be more affordable than individual insurance not only for employees and their families, but for the business owner and his or her family as well.

#### **Why are small business health insurance plans generally cheaper per person than individual plans?**

Group health insurance plans can cost less per person than an individual health insurance plan due the advantage of having a larger risk pool, or having risks spread out across more people. In other words, group plans often cost less per person, on average.

According to the Small Business Administration (SBA), when a greater number of people pay for their health insurance in a group plan, average costs become more stable. As a result, the insurance company has more resources to draw from when someone needs medical care. **This means that the high cost of any one person ends up having a smaller effect on the average cost as the group becomes larger.**

This means that a larger group size may make your group health insurance plan cheaper. The [eHealth study](#) found that:

In 2018, the average monthly premium for small business groups with 5

or fewer employees was \$419 per covered person.

The average monthly premium for small business groups with 6 to 29 employees was \$364 per covered person, or 13 percent less.

Overall, group size and the number of employees receiving coverage can make a significant difference in terms of small business health insurance premiums.

### **The price of premiums for group coverage has been more stable than individual coverage**

Not only are monthly premiums generally lower through small business health insurance plans than through individual plans; they also have not increased in price as significantly as individual premiums.

According to an [eHealth study](#), the average per person premium for small business health coverage increased only 5 percent between 2015 and 2018, while individual premiums for those that buy their own coverage increased 54 percent in the same period (from \$286 in 2015 to \$440 in 2018).

The lower price of small business health insurance costs for both enrolled employees and employers can be an excellent reason to offer a group health plan to your workforce.

## **2. Benefit from tax incentives**

Another financial advantage of providing small business health insurance are the [tax benefits](#) to the employer that come with a group plan.

There are several ways that a group health plan can result in tax advantages for your business:

Generally, employers can deduct 100 percent of the cost of monthly premiums they pay on qualifying group health plans from their federal business taxes.

Offering health insurance coverage to workers as part of their compensation package could also potentially mean that a business may benefit from reduced payroll taxes.

Employers can usually deduct HSA contributions from their small business taxes.

While group plans already tend to be more affordable than individual plans, the tax advantages from offering small business health insurance can further help your company in providing this highly valued and sought-after employee benefit.

#### How Do Small Business Tax Deductions Work



#### **Certain employers may qualify for the small business health care tax credit**

Some small employers may benefit from the small business health care tax credit. Created by the Affordable Care Act (ACA), the tax credit is meant to encourage small business owners to offer group health insurance to their employees.

To qualify for the tax credit, a small business must meet all of the following requirements:

Your small business must have less than 25 full-time or full-time equivalent employees (to receive the maximum tax credit, your business must have less than 10 employees).

Your company must pay average wages of less than \$50,000 annually per employee (adjusted for inflation).

You as the employer must pay at least 50 percent of your qualified employees' health insurance premiums.

You must purchase your group health insurance coverage through the Small Business Health Options Program (SHOP) Marketplace or through a licensed health insurance agent who can enroll your business in a SHOP plan.

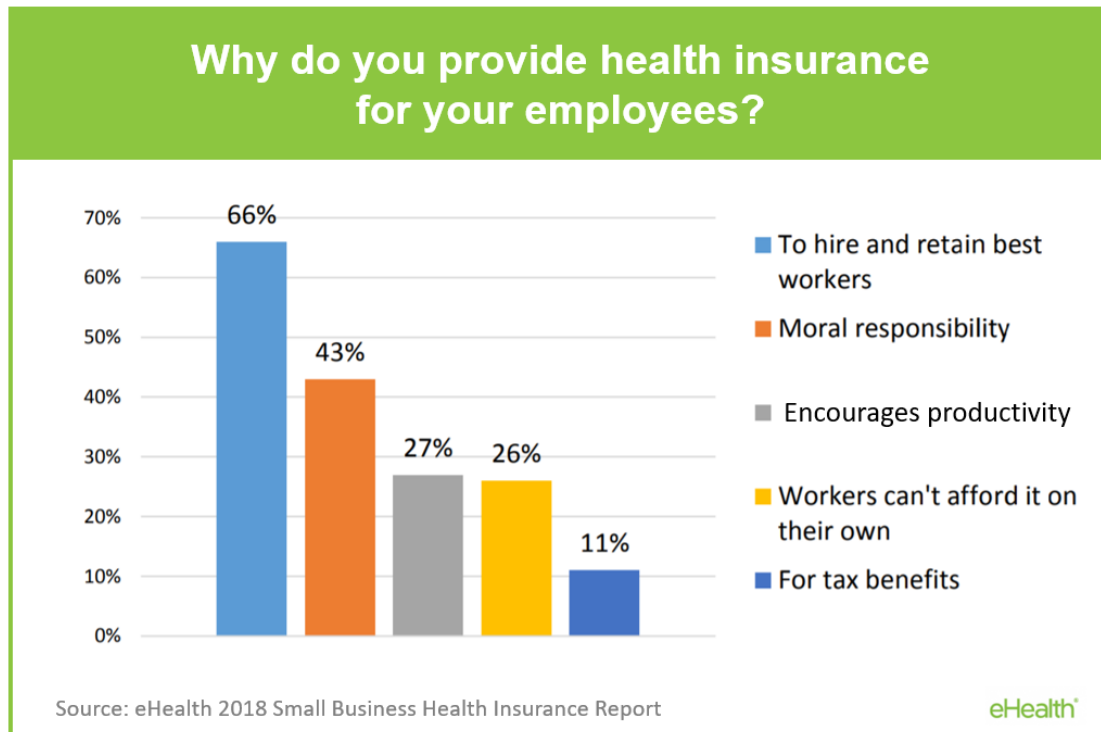
As of 2018, SHOP plans can be directly written through the carrier with the help of certified insurance brokers. eHealth's licensed and SHOP-certified agents can enroll employers who qualify for the small business health care tax credit, conveniently allowing you to complete all the necessary steps through eHealth.

The small business health care tax credit can certainly be an excellent incentive to offer health coverage for qualified employers. Not only is the tax credit available for two consecutive taxable years; it may also help your small business in keeping and attracting high-quality employees. However, keep in mind that this isn't an easy credit to qualify for, and sometimes it is not worth it for a small business to pay for the price of an ACA plan just to try to get this tax credit.

### **3. Improve your hiring and recruitment strategy**

Deciding to offer small business health insurance can serve as an essential part of an effective hiring strategy, and can help a company stand out as an employer of choice.

According to a recent eHealth study, 66 percent of small business owner survey respondents said that they offer medical employee benefits in order to help them hire and retain the best employees.



Source: [eHealth 2018 Small Business Health Insurance Report](#)

### Many workers value employee benefits like health insurance

Several studies have shown that whether health insurance and other employee benefits are offered as part of a compensation package may often make or break a job offer for a prospective hire. For instance:

A 2017 [LendingTree survey](#) found that 33 percent of people have turned down a job due to a lack of benefits, and that over 32 percent of Americans would like to have improvements in their health insurance coverage.

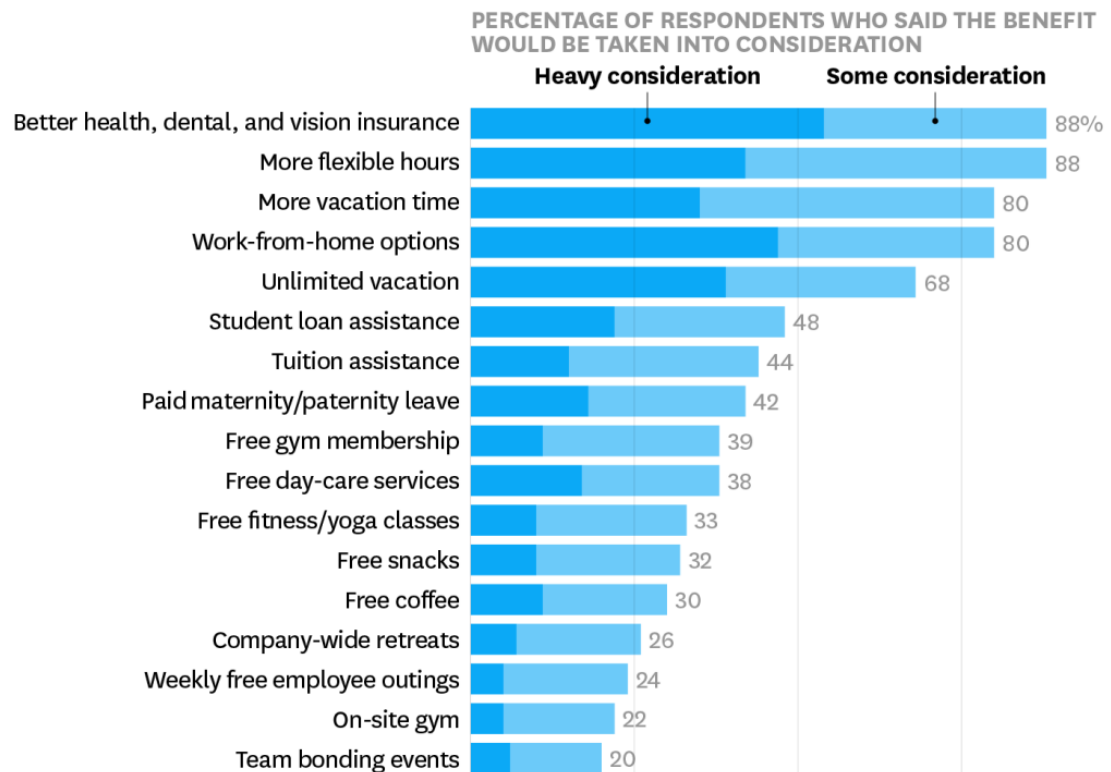
A 2015 [Glassdoor survey](#) observed that 57 percent of U.S. job candidates said that benefits and perks are among their top considerations before accepting a job.

A 2016 [survey](#) by Fractl, a content marketing agency featured by the *Harvard Business Review*, noted that 88 percent of respondents said that being offered health insurance might tip them toward choosing a lower-paying job with better benefits over a high-paying job.



## Which Benefits Are Most Valued by Job Seekers?

When choosing between a high-paying job and a lower-paying one with better benefits, respondents said health insurance and flexible hours might tip them toward the latter.



SOURCE: FRACTL SURVEY OF 2,000 U.S. WORKERS

© HBR.ORG

Source: [Fractl / Harvard Business Review](#)

The reality is that most prospective hires want quality employee benefits such as group health insurance. Overall, small employers who offer health coverage may be better positioned to recruit the best talent and attract employees who can help their business thrive.

### Employee benefits may help small businesses stand out from competitors

It may be challenging to attract quality workers without popular benefits like medical coverage. As a result, offering group health insurance may also help small businesses stand out during the hiring process by beating offers from competitors who don't offer employee benefits related to health care.

According to the [Bureau of Labor Statistics](#), only 55 percent of private industry employees in small businesses with less than 100 employees were offered medical care employee benefits.

By providing group health insurance when competing employers don't, you can substantially differentiate your business through demonstrating that you prioritize the well-being of your employees and recognize them as valuable assets to your company.

Ultimately, making health insurance part of worker compensation may help to create a robust and compelling employee benefits package that can have broad and lasting appeal to future hires and current employees alike.

## **4. Encourage employee loyalty and retention**

Employee loyalty is often an extremely important consideration for a small business, and offering small business health insurance may be an effective way to help retain your company's quality workers.

Not only can a group health plan demonstrate that you are offering employees what they are worth; it can also encourage your workers to stay with your company in the long term.

In addition to offering a group plan, small changes to the workplace can make a big difference toward improving employee retention. Some potentially low-cost ideas for small business owners include:

Flexible working arrangements, such as allowing employees to start work earlier or work from home during certain days of the week, may help inspire employee retention.

Promoting open communication, building effective teamwork strategies, and planning team-building outings may also play a role in improving employee loyalty.

Making minor adjustments to workspace layouts and lighting may contribute to a more comfortable work environment and help show employees that you care about their well-being.

While all employees have different work preferences, going the extra mile as an employer to create an accommodating workplace can show that you value your team and help with employee retention.

### **The value of employee loyalty**

Sponsoring group health insurance coverage and other employee benefits can be an impactful strategy that highlights how you appreciate the dedication of your staff while also:

Helping to prevent workers from finding jobs elsewhere that provide the benefits they need.

Encouraging employee loyalty without increasing the pay or wage of each worker.

Indeed, salary increases may not be the only way to retain your current employees. According to a 2015 [Glassdoor survey](#), nearly 4 in 5 (or 79 percent) of employees would prefer benefits or perks more than a pay raise, with 40 percent valuing health insurance benefits higher than a raise.

While you should always talk with your employees to find out their personal preferences for rewards, perks, and promotions, recognizing the popularity of health coverage could make it easier for your business to decide on which benefits employees want while also staying within your budget.

### **Turnover costs are a significant expense for small businesses**

You may be wondering if retention is even really important for your small business. There's plenty of quality workers out there who can replace employees that quit, right?

Unfortunately, it's not usually true that hiring quality workers is easy. Given the time and cost required to train new employees, as well as the challenge of finding workers who are the right fit for your business, it may be worthwhile to prioritize employee loyalty in order to help your small business run smoothly and efficiently.

According to an [article](#) by a leading human resources (HR) analyst at the accounting firm Deloitte, the "total costs" of losing an employee to turnover can be considerable, including the:

Cost of hiring, onboarding, and training new workers

Loss of productivity and engagement

Possibility of customer service errors

Often negative cultural impact to the organization

Employers often deal with significant expenses as a result of employee turnover. For instance, a [Center for American Progress report](#) found that, based on an analysis of 30 case studies in 11 research papers published between 1992 and 2007 which provided estimates of turnover costs, businesses spend about one-fifth (or about 21 percent) of a worker's annual salary to replace that employee.

As a small business especially, you're probably looking to save on costs wherever you can. You might find that offering small business health insurance is cheaper in the end, because you avoid extra costs due to high employee turnover.

### **Small business health insurance may help improve employee retention**

The bottom line is that turnover costs are a real concern for small businesses. The good news is that group health insurance can be an effective way to promote employee retention.

A [survey](#) of U.S. workers by Willis Towers Watson, a multinational insurance advisory company, found that:

46 percent of worker respondents agreed that health benefits were an important factor in their decision to work for their employer.

55 percent of worker respondents considered the health benefits they were offered a good reason to keep working for their employer.

Generally, when workers have group health insurance, they may stay at their current jobs longer in order to retain their employee benefits. This creates a win for both employers and employees, since companies may maintain and increase employee retention while helping keep their workforce content.

## **5. Boost employee job satisfaction**

Another great reason to offer small business health insurance is that it may play a significant role in helping maintain or increase employee job satisfaction.

According to a [Glassdoor Economic Research survey](#), out of a list of 54 employee benefits, the following three basic employee benefits displayed the highest correlation with employee satisfaction:

1. Health insurance

2. Vacation/paid time off (PTO)
3. Retirement planning options like 401(k)s and pensions

**32** Out of a list of 54 benefits, these three basic benefits showed the **highest correlation with employee satisfaction:**

- 1** health insurance
- 2** vacation/PTO
- 3** retirement planning options like 401(k)s and pensions

*Source: Glassdoor Economic Research, May 2016*

**glassdoor**<sup>®</sup>

Source: [Glassdoor](#)

Health insurance coverage came out as the number one benefit related to keeping employees satisfied, and it's not surprising given its popularity as an employment perk.

The importance of satisfied employees cannot be overstated: when your staff is content with their job, they will probably be happier with their employment and more likely to remain at your company.

### **How job satisfaction may benefit business owners**

Happy employees can also mean happy employers. Workers who are generally satisfied with their jobs might express this in all sorts of relevant ways, including:

More helpful, enthusiastic, and improved interactions with customers and clients.

Greater likelihood of effective teamwork within a positive workplace environment.

Inspiring employees to improve their skill set through further training and education.

In essence, better attitude from employees may result in better results for your bottom line.

Taking the time to consider the importance of job satisfaction, while also exploring effective ways to motivate workers through employee benefits such as health insurance, could be a worthwhile pursuit for small businesses seeking ways to help their workforce reach its full potential.

And again, as a small business you're probably looking to be as efficient and productive as possible. If you have satisfied employees, you'll probably find that they're more productive.

## 6. Healthier, more productive employees

When employees have group health insurance, they gain greater access to medical resources. Consequently, workers can rest assured that they can rely on their health care plan in case of a catastrophic illness or emergency.

For a small business, providing employees with the peace of mind that comes from health insurance can mean less sick days and absences and more productive and focused workers.

**Reduced workplace absenteeism** – According to a study by the Journal of Occupational and Environmental Medicine, having health insurance any time throughout the year is significantly associated with a lower likelihood and reduced number of missed workdays.

**More productive workplaces** – Generally, healthy employees tend to work more effectively and efficiently than employees who are ill. A working paper about the manufacturing industry by researchers from the Center for Economic Studies (part of the U.S. Census Bureau) provided evidence that health insurance offers may be positively associated with labor productivity.

**Reduced labor costs** – According to an article from the peer-reviewed healthcare journal *Milbank Quarterly*, another benefit to employers from having healthier workers may also be lower labor costs: unhealthy workers may retire or quit early, which could lead to expensive employee turnover. The article also mentions how short-term and long-term disability insurance and workers' compensation costs might also be reduced as a result of healthier employees.

Depending on your industry, it may be more cost-effective in the long run to pay for employees' health insurance rather than having to deal with the lost time and productivity resulting from their absence from the workplace.

Additionally, providing group health insurance may contribute to a faster recovery time or return to work due to greater employee access to medical care and health resources.

Ultimately, having healthy employees can contribute to greater workforce productivity, which may help bolster the success and stability of your small business.

## **7. Foster a healthy company culture**

Providing small business health insurance can show your employees that their health is important to you. By offering a group health plan as an employee benefit, you can demonstrate that you value your employees and view them as an asset to your organization. This appreciation, in turn, could help to promote a positive and healthy company culture.

### **The benefits of a positive work culture**

Drawing from a variety of studies, a *Harvard Business Review* article provided evidence of how positive work cultures are more productive for businesses over time. The HBR article discussed the worthwhile outcomes which may come from having a virtuous organizational culture, including:

Leading to an increase in positive emotion and well-being at companies.

Improving people's relationships and amplifying their abilities and creativity.

Buffering against stress, helping employee resilience, and bolstering employee health.

Enhancing employee loyalty while bringing out their best strengths.

Contributing to higher levels of organizational effectiveness, including productivity, financial performance, customer satisfaction, and employee engagement.

Providing group health coverage could be one major way to promote a positive work culture. By investing in the well-being of employees, companies may be better able to encourage an environment of trust and a mindset of greater openness among their employees.

Plus, employers may also find that offering small business health insurance could help shape and improve their brand image, which may further bolster employee recruitment and retention efforts.

### **Increased attention to wellness**

Beyond improving company culture and employee morale, another beneficial effect of a group health plan may be greater attention to wellness.

Offering group health coverage could be a starting point for workplace wellness programs or similar initiatives designed to incentivize and encourage healthier lifestyle choices among employees.

According to a study by the Centers for Disease Control and Prevention (CDC) which featured a high proportion of small employers (77.1 percent of respondents had fewer than 100 employees), most U.S. workplace health programs focused on physical activity, nutrition, and stress management. The CDC study also found that:

Across the nation, almost 30 percent of worksites offered a type of program meant to address fitness, physical activity, or sedentary behavior.

19 percent of worksites offered tobacco cessation programs.

About 17 percent of worksites offered an obesity or weight management program.

Whether a small business formally decides to implement a wellness program or a less formal initiative to address employee health, small business health insurance may serve as an excellent starting point for encouraging a positive company culture that promotes health and well-being.

## **8. Pre-tax benefit for employees**



Providing group health insurance frequently means lower monthly premiums for employees, and the amount they contribute toward premiums can generally be paid from their pre-tax salary.

This can lead to considerable tax savings for your employees over time. How does this work?

When an employer offers a group health insurance plan, the company takes part of employees' premiums out of their paycheck before taking out federal income and state taxes.

Stated differently, the employer can essentially lower the taxes that their employees have to pay through reducing the taxable income of their workers.

As a result, the tax payments that would have gone toward the government for that income can instead go toward compensating the company's employees.

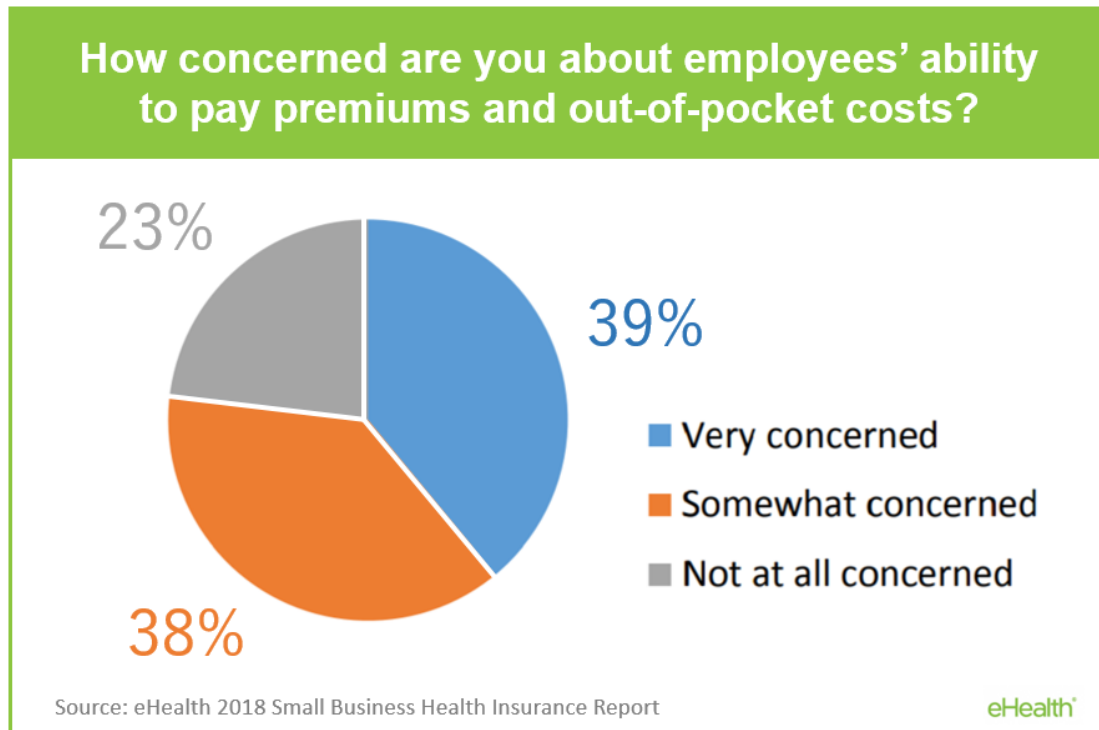
While this reason to offer a group health plan is fairly straightforward (who doesn't want tax-advantaged dollars, right?), it is worthy of mention due to the significant tax advantages which may be available to your workforce.

Not only will your employees likely have a lower tax bill; they will also likely appreciate having access to a group health plan which may be more affordable than other coverage options.

## **9. Help put health coverage within reach of employees**

Some small business owners may decide to offer a group plan in order to help put access to health insurance within reach of their employees.

According to a recent [eHealth study](#), 26 percent of small business owners said they offered health benefits because employees couldn't afford coverage on their own.



Source: [eHealth 2018 Small Business Health Insurance Report](#)

The [eHealth study](#) also found that most small businesses worry about the ability of employees to afford the cost of medical coverage and care.

39 percent of small business owner respondents said that they were very concerned about employees' ability to afford premiums and deductibles.

38 percent of respondents said that they were are somewhat concerned.

23 percent of respondents were not concerned about the ability of employees to afford premiums and deductibles.

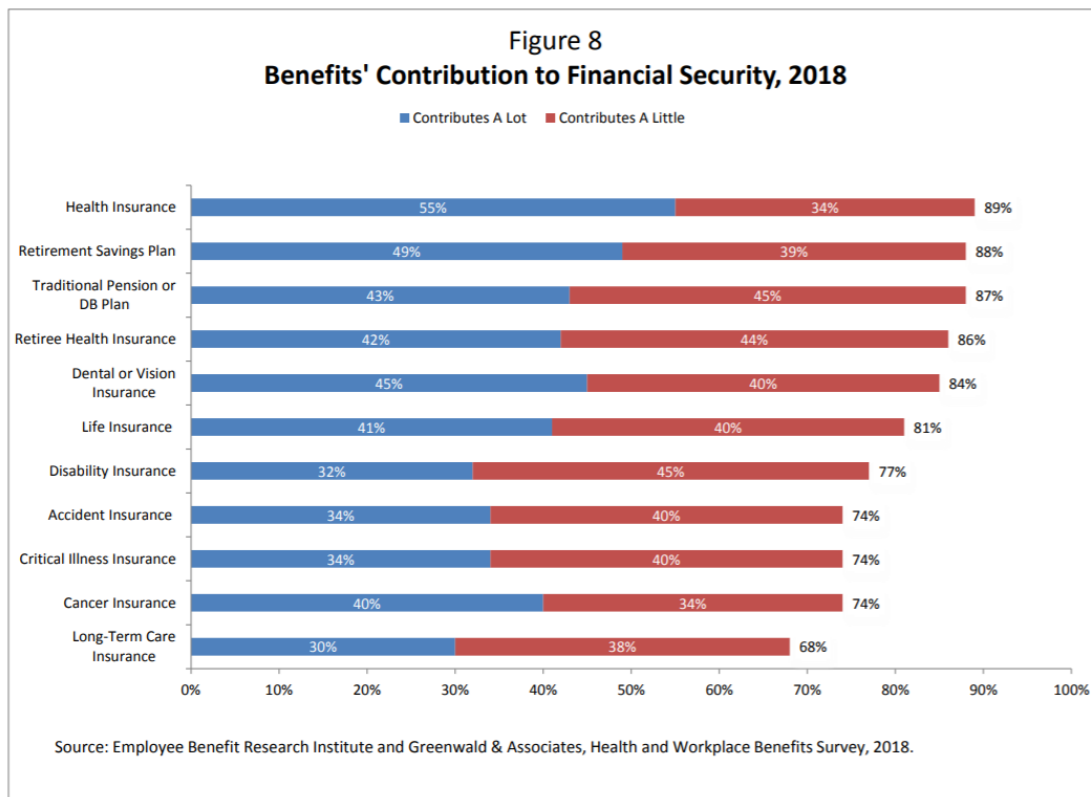
Implementing a group health plan for your business may help some of your employees enroll in a more affordable plan than they might otherwise have access to on the individual market.

### **Health coverage and financial security**

Providing group health insurance for your workers may also help them feel more secure, both financially and professionally.

According to a 2018 [report](#) by the Employee Benefit Research Institute (EBRI), health insurance topped the list of employee benefits that contributed to financial security, with 89 percent of employees saying that having health

coverage helped them feel more economically secure.



Source: [Employee Benefit Research Institute \(EBRI\)](#)

Offering health coverage as an employee benefit may help your workforce feel less stressed financially and more confident in their ability to recover from a catastrophic injury or illness.

Overall, a group health plan may contribute to making insurance more affordable to a greater number of employees while also giving them the peace of mind that comes from knowing that they have medical coverage.

## How to shop for small business health insurance

There are many excellent reasons to offer small business health insurance as an employee benefit, which may often result in significant advantages for both workers and employers. It's smart to look around and weigh all the pros and cons of where you're shopping for small business health plans.

## The ease, simplicity, and value of eHealth

For all the right reasons, eHealth makes it easy to find group health insurance for your business. We let you quickly find and compare free small business health insurance quotes. Once you provide some information, including zip code and number of employees (including yourself), you instantly get access to a great selection of group health plans offered by multiple insurance companies.

eHealth is committed to helping you achieve your health coverage goals as a small business. Once you find a plan that works for you, our licensed insurance agents can guide you toward the next steps for implementing and enrolling in a group health plan, all with no broker fees.

After enrolling in your new small business health insurance plan, eHealth will still be available to help answer your questions for the entire time you have your plan, at no additional cost to you. eHealth will also be your advocate when you need to resolve questions with the insurance company.

For all your small business health insurance needs, visit [eHealth.com](http://eHealth.com) or speak with one of our expert health insurance brokers today.

This article is for general information and may not be updated after publication. Consult your own tax, accounting, or legal advisor instead of relying on this article as tax, accounting, or legal advice.

# We'll let you know when we publish anything new.

Email

Sign Me Up

## Explore more great articles by category.

Individual & Family

Small Business

Dental

Vision

Short-term




Affordable Care Act

Attention: In offering this website, eHealthInsurance Services, Inc. is required to comply with all applicable federal law, including the standards established under 45 CFR 155.220(c) and (d) and standards established under 45 CFR 155.260 to protect the privacy and security of personally identifiable information. This website may not display all data on Qualified Health Plans (QHPs) being offered in your state through the Health Insurance MarketplaceSM website. To see all available data on QHP options in your state, go to the Health Insurance MarketplaceSM website at HealthCare.gov.

### eHealth Home

- [About Us](#)
- [Licensing](#)
- [Privacy Policy](#)
- [Terms Of Use](#)

### Connect with us

-  [Facebook](#)
-  [Twitter](#)
-  [LinkedIn](#)

### Support

1 (855) 398-5074  
Representatives available  
Mon - Fri, 9am - 7pm ET

