



Small Business

# Small Business Health Insurance for Startups

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As a new business owner, you may have questions about whether you should offer small business health insurance group coverage to your employees. You may also want to know what your options are when it comes to group health plans, as well as the costs of small business health insurance.

Continue reading to learn more about health insurance for startups.

## Why offer health insurance as a startup?

If you own a startup with less than 50 full-time equivalent employees, then your company probably qualifies for small business health insurance. Although offering group health insurance is optional if your startup has less

than 50 employees, there are several compelling reasons that looking into health insurance for startups can provide value to your new business.

Offering group health plan coverage in a total compensation package can help you recruit and retain the best employees in a competitive market.

Owners of startups and small businesses frequently look at health insurance group coverage as a way to hedge against price instability.

Usually, group health plans offer guaranteed acceptance for the business owner, other employees, and their families.

Startup and small business owners who enroll in group health plan coverage can benefit their company and employees while also protecting themselves and their own families.

## **How much does health insurance for startups cost?**

The costs of health insurance for your startup will depend on the plan that you and your employees choose, in addition to your business location, employee ages, and coverage and benefit preferences.

When your startup considers different small business health insurance options, it can be helpful to start with looking at the metal levels of each group health plan. Metal levels, such as bronze, silver, gold, and platinum, represent each health plan's actuarial value (AV), which means the percentage of total average costs paid by the health insurance company for covered benefits.

For example, if one of your startup's employees had a health plan with a 60 percent actuarial value, then the health insurance company would pay an average of 60 percent of all covered medical expenses, while the startup employee would be responsible for paying 40 percent of medical costs until he or she reached the health plan's out-of-pocket maximum limit.

From a startup perspective, a bronze health plan may be a good choice due to its low cost. Bronze health plans tend to have low monthly premiums and high annual deductibles, meaning that your employees pay less per month to be enrolled in a group health plan.

A bronze plan could work well if your startup employees tend to be young and relatively healthy. Due to infrequent doctor visits and minimal medical expenses, these employees would probably have no need to meet their high annual deductible.

On the other hand, you should also make sure that your plan remains affordable for employees who may have chronic health conditions, require more frequent doctor visits and prescriptions, or otherwise prefer a plan with a lower annual deductible.

You should talk with your startup employees to find out their health insurance preferences, especially in terms of premiums, deductibles, out-of-pocket maximums, and emergencies.

## **What kind of health insurance to choose for a startup**

After getting a sense of your startup's cost preferences for group coverage, you should consider the different types of health insurance plans. You and your startup employees can select from several popular plan types for small business health insurance based on your budget and health care needs.

Your startup employees might favor a **Preferred Partner Organization (PPO) plan** over a **Health Maintenance Organization (HMO) plan** if they don't want to see a primary care physician before visiting a specialist.

Alternatively, your startup employees might prefer an HMO plan over a PPO plan due to the lower cost of an HMO, which comes from staying in a medical network for services.

In addition to HMO and PPO plans, there are other possible health plan choices for a startup with a young and relatively health workforce that prioritizes affordability and flexibility.

With **Exclusive Provider Organization (EPO) plans**, your employees can use all specialists and providers with no referrals, although there is usually no out-of-network coverage. EPO plans tend to cost less than HMO and PPO plans, and could be a good choice for startup employees who do not expect much medical care and want to save money.

A **Point of Service Plan (POS) plan** is basically a combination of HMO and PPO plans, in that employees need to work with a primary care physician while usually having access to a wider range of health care providers. Startup employees might go with a POS plan if they want to benefit from access to a wider network.

Another choice of health insurance for startups is the **Health Savings Account (HSA)**. These are specially designated, tax-advantaged savings accounts that employees can use to pay for expenses from high-

deductible health plans. Money left over in an employee-owned HSA is saved over time and can earn interest. HSAs can work well for employees who prefer lower premiums.

Health Reimbursement Arrangements (HRAs) work in a similar way to HSAs, with one of the main differences being that employees do not own their HRA accounts.

Overall, cost, convenience, and the need for medical services should all be taken into account when selecting the type of small business health insurance plan for your startup.

## **Cost sharing in health insurance for startups**

Since group plans are considered to be employer-sponsored health coverage, you should also decide how much your startup will share the costs of health insurance with your employees. Most states require employers to pay for at least 50 percent of monthly employee premiums, thereby splitting the cost with their workforce. As a startup founder and employer, you should also know that you can usually deduct employee premiums from your federal business taxes.

It is usually up to you as a small business owner whether your group plan will cover employee dependents. Regardless of whether your business chooses to partially pay for the cost of dependents, employees can typically still choose to add dependents to their health plan.

Depending on your number of full-time equivalent employees and how much they are paid, your startup may be able to qualify for a small business health care tax credit. If you are eligible, this tax credit may be able to help your startup reduce the cost of offering group health coverage to your employees.

## **How to get health insurance for your startup company**

Although looking at health insurance for startups might seem overwhelming as a new business owner, it can serve as a valuable investment for your company and employees.

For more information about implementing group health coverage for your startup, you can look through eHealth's small business preparation checklist. To find small business health insurance quotes, visit eHealth.com today or

Speak with one of our licensed health insurance agents.

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