



Small Business

The Definitive Guide to Small Business Health Insurance Costs

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Some of the most common questions about small business health insurance revolve around the costs of group health coverage. While costs and specifications vary for each health plan, it is still important to understand the fundamental elements of the financial side of small business health insurance.

This guide is meant for both new and current small business owners, and provides an overview of the basic costs of small business health insurance while also reviewing related plan considerations.

What are the costs associated with small business health insurance?

According to the Affordable Care Act (ACA), businesses with 50 or more employees are required to offer group health insurance coverage. However, it is optional for small businesses with less than 50 full-time employees to offer a health plan to their workers.

This choice often leads to a difficult decision for many small business owners, as they first consider whether they want to offer group health insurance, and then whether or not their business can afford it.

As a result, most early questions about small business health insurance are about costs. The following sections will explore the primary costs of group health insurance, including:

Premiums

Deductibles

Copayments

Coinsurance

Out-of-pocket costs

What is a small business health insurance premium?

A premium is the price business owners or their employees pay to be enrolled in a group health plan. Regardless of whether or not you use health services, the premium must be paid each month in order to stay with the plan.

As a monthly payment, the premium is usually shared or split between the employer and employees as part of the plan's cost-sharing arrangement. In most states, employers are required to pay at least 50 percent of employee premiums, although minimum employer contributions may vary by state and insurance company.

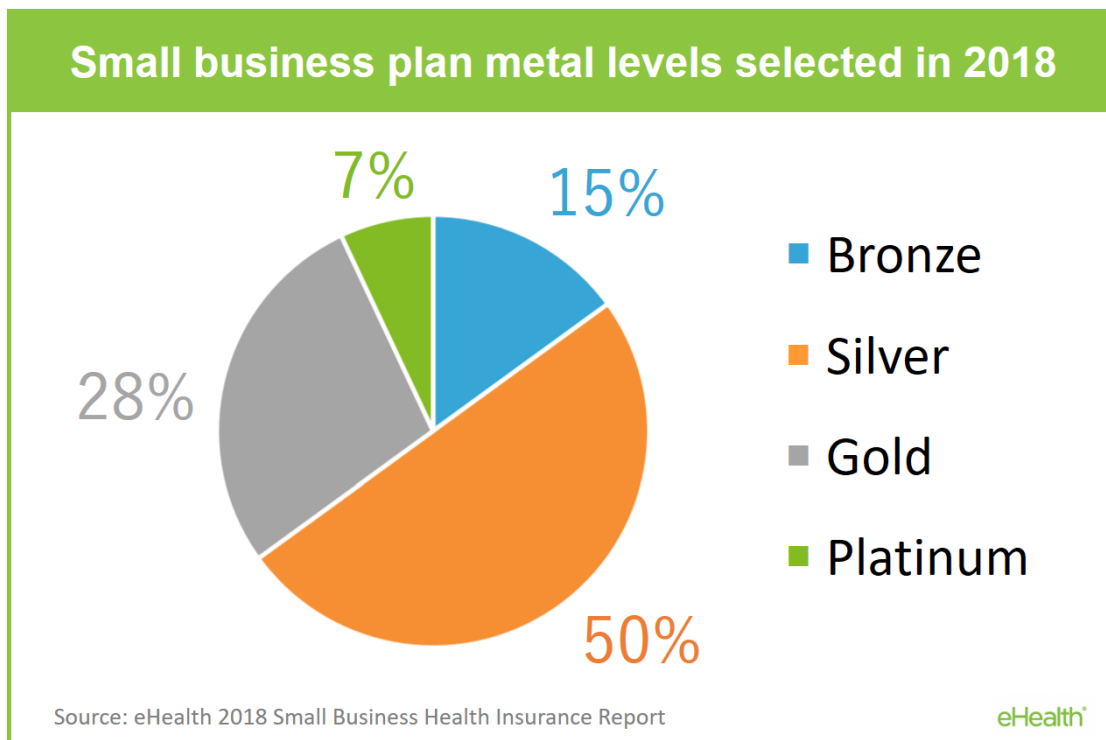
While paying for the premium costs of qualified dependents is optional for small businesses, employees can still choose to add dependents to their group health plan.

Premium costs may vary based on the small business health insurance plan type. For example:

HMO plans tend to have lower premium costs, as well as the requirement of visiting a primary care physician before seeing a specialist.

PPO plans tend to have higher premium costs, although plan members can see a specialist without having to visit a primary care physician.

The metal levels of a group health insurance plan also determine the percentage of costs paid by the health insurance company under the plan.



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

What is a small business health insurance deductible?

A health insurance deductible is the annual amount a person enrolled in a health plan has to pay out of pocket until the health insurance company begins to pay for medical claims.

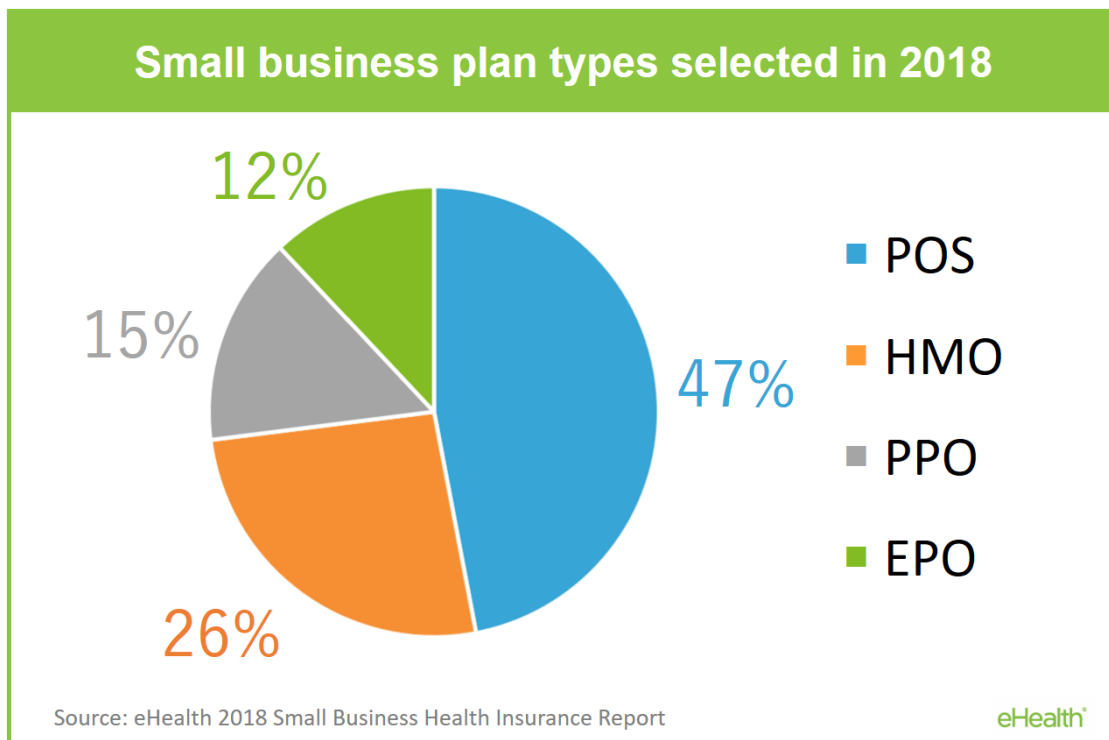
Often, there tends to be an inverse relationship between premiums and deductibles. A small business health insurance plan may have a lower premium and higher deductible, or a higher premium and lower deductible. Either option might make sense depending on the different medical needs, budget, and coverage preferences of your workforce.

Overall healthy employees may prefer a low premium, high deductible plan. Since they anticipate fewer medical expenses and may not need to

meet the plan's deductible, their main cost may be their monthly premiums. However, they should try to make sure to have an affordable deductible in case of an emergency or unanticipated illness.

Employees who need to visit the doctor more regularly, or who require prescription medications, may find a high premium, low deductible plan to be a smart choice financially. Although they would pay more per month, being able to meet their deductible means that the insurance company can start to cover their medical claims sooner.

It is also important to know that deductibles may vary based on the plan type. HMO plans may have a lower (or no) deductible, while many PPO plans have a deductible. If you're curious, you can read more about all the different plan types such as HMO, PPO, EPO plans and more.



Source: eHealth 2018 Small Business Health Insurance Report

A helpful rule to keep in mind is trying to keep your deductible to less than 5 percent of your gross annual income if possible.

What is a small business health insurance copayment?

A copayment is a specific cost you may be required to pay for medical supplies or services through your group health plan. Also known as a copay, an example would be an employee paying \$25 for a visit to the doctor's office or a prescription medication, after which the insurance company may cover the remaining charges.

Other examples of health services that usually require copays may include:

Different types of therapy

Specialist office visits

ER or ambulance services

Remember that it is employees who cover the costs of copayments, not their employers. If your employees need to visit the doctor's office often, then they may benefit from choosing a group health plan with predictable and affordable copayments. The only cost that the employer shares is the cost of employees' monthly premiums.

Typically, most HMO plans have copayments due to contractual agreements with health care providers. Other types of small business health insurance plans, such as PPO plans, POS plans, and EPO plans, also may have copayments among their associated costs.

Usually, the copay is for in-network medical services only. Going to an out-of-network provider could mean that the copayment may not apply, and that the full amount or coinsurance percentage of the bill may need to be paid.

How does coinsurance work?

Coinsurance is the percentage of a covered medical service you may be responsible to pay under your health insurance plan after satisfying your deductible. The amount you pay for coinsurance depends on the final bill from the health insurance provider.

In other words, the health insurance company may only cover a certain percentage of charges for health care services. For instance, if the insurance company pays for 80 percent of charges for an x-ray, your employees would be required to pay for the other 20 percent (the coinsurance in this example), even after meeting their annual deductible.

What are out-of-pocket costs?

Out-of-pocket costs are generally payments you personally make for medical services, while your plan's out-of-pocket maximum is the annual limit of how much you share costs with your health insurance company through your health plan. This is a set threshold, similar to your deductible, but a higher amount. Once you've met it, health insurance companies will generally pay 100 percent of any covered health care costs for the rest of the year.

The deductibles, copayments, and coinsurance that employees pay go toward meeting the out-of-pocket maximums of their group health plan. After your small business' workers spend their out-of-pocket maximums, the health insurance company will typically begin to pay for the rest of the year's covered medical expenses, while employees will still need to pay their portion of monthly premiums.

Payments which usually do not go toward meeting an enrollee's out-of-pocket maximum include:

- Monthly premiums

- Out-of-network balance-billed charges

- Services not covered by the health plan

It is also important to know that there is typically no copayment for covered medical services in a group plan once an employee has reached his or her out-of-pocket maximum, for his or her specific plan. The out-of-pocket maximum will not be a sum of everyone covered under the small business group plan policy, but rather will be specific to each enrollee.

Learn more about small business health insurance costs

With eHealth, you can easily compare costs between group health insurance plans offered by different top insurance companies, allowing you to find the right plan for your small business.

Our helpful licensed insurance agents can answer your questions about small business health insurance costs while providing unbiased advice for choosing the optimal group health plan for your budget.

We know that health insurance is an important long-term investment, which is why our agents are committed to continuing to serve as your advocate and point of communication with the insurance company even after you purchase a health plan.

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