

# REPORT TO INDEPENDENT EXHIBITORS ON HEALTH CARE SOLUTIONS AND POLICY

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# *Executive Summary*

As small business owners, you confront steep challenges locating adequate health care for yourselves and your employees—but there are more options than you might think. This report will help you navigate the array of health plan and carrier resources and hopefully find the right plan.

Before researching health insurance options and selecting a reputable insurer, you should determine the needs of your employees. It is helpful to discuss options with your employees, while letting them know that you might not be able to afford all forms of coverage or that they might have to bear some of the financial burden. Once you have established your health insurance needs and those of your employees, this report will provide you with the tools and resources to select a reputable health carrier and find the right plan, ranging from consumer-directed health care (CDHC) to managed care.

Managed care is any system that is designed to deliver health care while controlling costs by having a health plan and providers share financial responsibility. Most Americans who have health insurance are enrolled in managed care plans, including Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs) and Point-of-Service (POS) plans. Managed care plans usually include a set group of providers and individuals must pay set premiums. Providers within these groups contract with the insurers and agree to accept the plans' rates. Care outside such a group in some cases becomes the responsibility of the beneficiary or might be only partially covered.

Whereas HMO, PPO and POS plans largely rely on negotiating with health care providers to keep down medical costs, small business owners increasingly turn to CDHC as a way to have employees assume more responsibility for controlling costs. CDHC plans take many forms, but most commonly as health savings accounts (HSAs), health reimbursement arrangements (HRAs) or flexible spending accounts (FSAs). These tax-advantaged accounts are used to pay

enrollees' health care expenses, while unused balances in HSAs, and sometimes HRAs, may accrue for future use.

Employees enrolled in CDHC plans are more actively involved in making health care purchasing decisions and will have an incentive to purchase health care more prudently, according to the Government Accountability Office. HSAs can be funded entirely by the employee or by a combination of employer and employee pre-tax dollars, while HRAs are solely employer-funded accounts. FSAs allow employees to contribute some of their own pre-tax earnings to an account to help pay for health care costs, but all account funds must be spent within the plan year.

This report details the differences among the most common health care plans and provides resources and tools to research what plan works best for your business. The information presented here also explores ways to cut health care costs, including details on professional employer organizations, walk-in medical clinics, wellness programs and “mini-medical” plans.

In addition, you will become acquainted with health care reforms and current legislation being considered in Congress. Enacting comprehensive health care reform and finding market-based solutions will increase access and affordability for small businesses throughout the nation. NATO currently supports efforts to enact legislation establishing small business health plans, reforming medical liability laws, creating health care tax deductions and exempting small businesses from state health insurance mandates.

No matter whether you are buying health insurance for the first time or considering changing plans, this report provides the resources and tools to maximize benefits and save money.

## Introduction

Soaring health insurance costs and excessive government regulations raise significant barriers to adequate health insurance for small businesses and their employees. The problem is highlighted by a Census Bureau report released on August 28<sup>th</sup> that finds the ranks of the uninsured swelled 5 percent from 44.8 million people in 2005 to 47 million last year — a 22 percent increase in the last six years from 38.4 million. About 27 million (60 percent) of the uninsured own or work for small businesses or are dependents of those who do, according to the U.S. Chamber of Commerce.

While nearly all firms with more than 200 employees offer health coverage, only 45 percent of the smallest firms do (see chart below). Last May, the National Federation of Independent Business (NFIB), an active small business advocacy association, released a survey that found 74 percent of its members identified cost as the greatest hurdle facing the health care system today. Small businesses, usually defined by states as having between two and 50 workers, continue to struggle to provide health coverage to their workers because of soaring premiums.

The Kaiser Family Foundation and Health Research and Educational Trust (HRET) *Employer Health Benefits: 2007 Annual Survey* offers little solace. Premiums for employer-sponsored health insurance increased 6.1 percent in 2007, far exceeding the overall rate of inflation, according to the survey. Though this is the fourth consecutive year with a lower rate of growth than the previous year — since premiums skyrocketed to 14 percent in 2003 — premiums

continue to outpace inflation (2.6 percent) and workers' earnings (3.7 percent). Since 2001, the cost of health insurance has jumped 78 percent. Meanwhile, the amount single workers and families pay for premiums has more than doubled. According to the survey, the average annual cost of premiums for single coverage in 2007 is \$4,479 and for family coverage is \$12,106. Small business owners saw premiums, on average, increase 5.5 percent, while companies with less than 24 workers experienced an increase of 6.8 percent, according to the survey. As a result, small business owners are looking to employees to share more of the costs associated with providing health care or they are simply unable to offer benefits to workers.

Because of these burdensome health care costs, small employers are spending more time and energy than ever looking for the best health care option at the best cost. There are an array of managed care networks to choose from, including Health Maintenance Organizations, Preferred Provider Organizations and Point-of-Service plans. Recently, some small business owners have been turning to consumer-directed health care (CDHC) as a way to control health care costs. The most common CDHC plans are Health Savings Accounts, but Health Reimbursement Arrangements have been gaining in popularity.

Visit the Kaiser/HRET survey at [www.kff.org/insurance/7672](http://www.kff.org/insurance/7672), and NFIB's *Small Business Health Care Survey* at [www.nfib.com/object/IO\\_33464.html](http://www.nfib.com/object/IO_33464.html).

**Percentage of Firms Offering Health Benefits, by Firm Size 1999-2007**

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>3-9 Workers</b>	56%	57%	58%	58%	55%	52%	47%	48%	45%
<b>All Small Firms (3-199 Workers)</b>	65	68	68	66	65	63	59	60	59
<b>All Large Firms (200 or More Workers)</b>	99	99	99	98	98	99	98	98	99
<b>All Firms</b>	66	69	68	66	66	63	60	61	60

Source: *Employer Health Benefits: 2006 Annual Report*, The Kaiser Family Foundation and the Health Research and Educational Trust

## CHAPTER 1

# MANAGED CARE PLANS

For several decades, traditional fee-for-service (FFS) plans were the predominant type of private health benefits sponsored by employers.

Under the FFS model, you make nearly all health care decisions on your own. You typically pay health providers directly for services, then submit claims to your insurance company and, if the service is covered by the policy, receive reimbursement.

While FFS plan holders can obtain care from the doctors or hospitals of their choice, they often must pay higher deductibles or co-payments than managed care plans. In the late 1980s, employers increasingly turned to managed care plans, such as Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs) and Point of Service (POS) plans, as a way to contain rising health care costs. The plans are designed to manage the costs of health care by having a health plan and providers share financial responsibility.

Managed care plans usually include a set group of providers, and individuals must pay set premiums. Providers within these groups contract with the insurers and agree to accept the plan's rates. Care outside such a group in some cases becomes the responsibility of the beneficiary or might be only partially covered.

The following information on HMO, PPO and POS plans was gathered from the U.S. Department of Health and Human Services and the American Heart Association (AHA). For more information, visit [www.healthfinder.gov/docs/doc02587.htm](http://www.healthfinder.gov/docs/doc02587.htm).

## HEALTH MAINTENANCE ORGANIZATIONS (HMOs)

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HMOs are plans that enter into contractual arrangements with health care providers (*e.g.*, physicians, hospitals and other health care professionals) who form a “provider network.” Essentially, contracted providers deliver services to HMO members at discounted rates in return for receiving referrals.

Individuals must visit providers within their particular network to have the HMO pay for their health care services. Otherwise, the HMO will not pay for health care rendered by a provider outside of the network unless the service was pre-authorized by the HMO or judged an emergency.

When a person joins an HMO, he or she chooses a primary care physician (PCP), who is responsible for arranging, authorizing, coordinating and providing all facets of the member's health care. PCPs are typically family physicians, general practitioners, internal medicine doctors and obstetricians/gynecologists. Unless authorized or referred by the PCP, an HMO will not pay for care provided by a specialist (*e.g.*, cardiologist, dermatologist, rheumatologist), according to AHA.

While HMOs are the oldest form of managed care, they are the most restrictive form of health plan because they provide members with the least choice in selecting a health care provider. On the other hand, they usually provide members with a greater variety of

health benefits for the lowest out-of-pocket expenses, such as no or a very low co-payment. An HMO member is usually required to pay the network provider a per-visit co-payment, for instance \$5 or \$10, on top of what the HMO pays.

## **PREFERRED PROVIDER ORGANIZATIONS (PPOs)**

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Similar to an HMO, a PPO reduces health care costs for businesses by negotiating reduced costs with a network of health care providers, including physicians and hospitals.

Unlike with HMOs, PPO members can select non-network providers instead of being restricted to choosing from a list of member providers. PPOs, however, offer greater benefits to members who see network providers, such as lower deductibles, lower co-payments and higher reimbursements.

For instance, a member who visits a network physician for routine care will generally have a small co-payment or deductible. If the member visits an out-of-network physician for the same care, the patient might have to pay as much as half of the bill. As a result, PPO members do not have to get a referral to see a specialist, but there is a financial incentive to use one within the plan's provider network, according to AHA.

While PPOs do not restrict the choice of health care providers as much as HMOs, they generally require greater "out-of-pocket" expenses from their members.

## **POINT-OF-SERVICE (POS) PLANS**

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A POS plan is a hybrid of HMO and PPO plans and is often called an "open-ended" HMO or "open-ended" PPO.

As with a standard HMO, a POS plan member selects a PCP who makes referrals to other participating providers when necessary. Members can choose not to receive referrals from their PCPs to visit other in-network doctors and still receive benefits, but they will have higher co-pays and deductibles than members who go through their PCPs.

POS plans are also like PPOs because members can visit out-of-network doctors. When a POS plan member goes outside the network the plan will pay a predetermined amount and the member's bill will be more than if he or she had received care from a network physician. The POS plan will pay the bill, however, if the PCP referred the member to a non-network doctor.

POS plans are gaining in popularity because they offer more flexibility and choices than traditional HMOs, according to AHA.

For information on various managed care options, visit [www.ehealthinsurance.com](http://www.ehealthinsurance.com) or [www.work.com/health-insurance-shopping-web-sites-839](http://www.work.com/health-insurance-shopping-web-sites-839). See page 14 for a list of some of the best online resources for finding the most optimal managed care plan for your company.

## CHAPTER 2

# CONSUMER-DIRECTED HEALTH CARE

While managed care plans largely rely on negotiating with health care providers to control rising medical costs, small business owners more recently have turned to consumer-directed health care (CDHC) as a way to have employees assume greater responsibility for controlling costs.

The Kaiser/HRET 2007 employer health benefits survey found 10 percent of all businesses offering workers health benefits offered CDHC in 2007, up from 7 percent in 2006 and 4 percent in 2005.

The growth of CDHC from 2006 to 2007 is attributed to a jump in the number of employers offering Health Savings Account (HSA) plans, which rose from 2 percent in 2005 to 7 percent in 2007, according to the KFF/HRET study (see chart below).

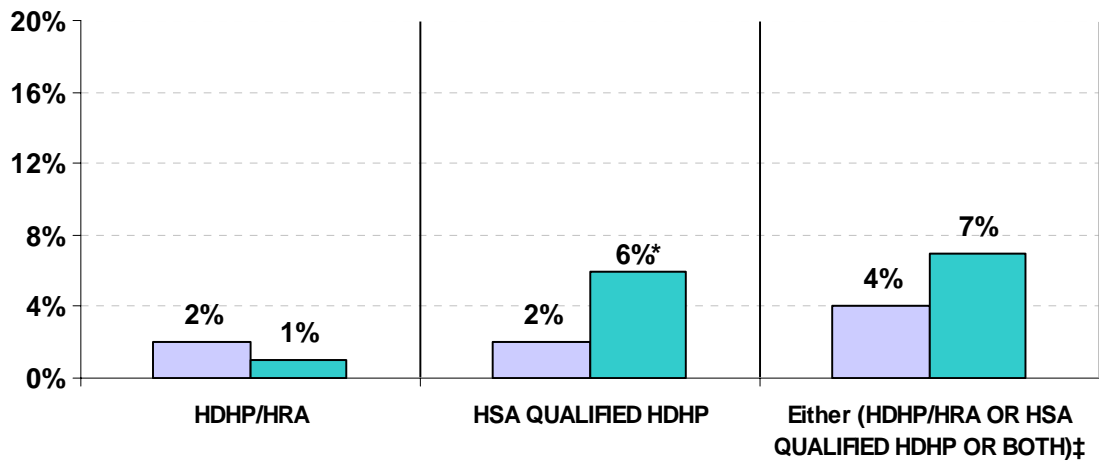
## HEALTH SAVINGS ACCOUNTS (HSAs)

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CDHC generally takes the form of HSA-based health plans, an alternative to the traditional health insurance to which many employers and employees have become accustomed. Many consumers have seen considerable savings as more people join the HSA marketplace.

Individuals and employers can sign up for HSAs with banks, credit unions, insurance firms and other approved companies. These plans can be funded entirely by the employee or by a combination of employer and employee dollars, but employer involvement is not required. Unused funds roll over at the beginning of every year and gain interest tax-free. Under an HSA—similar to a 401(k)—employees can keep the funds, which are not

**Among Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA Qualified HDHP, 2005-2006**



\* Estimate is statistically different from estimate from the previous year shown at  $p < .05$ .

‡ The 2006 estimate includes 0.4% of all firms offering health benefits that offer both an HDHP/HRA and an HSA qualified HDHP. The comparable percentage for 2005 is 0.3%.

■ 2005  
■ 2006

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005-2006.

subject to income tax when used for qualified medical expenses, even when they switch jobs. HSAs allow individuals to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis. Both employers and employees under age 65 can contribute money to an HSA, which is used in conjunction with a High Deductible Health Plan (HDHP).

HDHPs, also called “catastrophic” health insurance plans, generally cost much less than traditional health care coverage because the enrollee must pay the full cost of health services and pharmaceuticals until the deductible is met. This allows the member to put the money he or she saves on insurance into the HSA, which is available to help pay for the expenses the HDHP does not cover. Preventive care services typically are covered outside of the deductible. While higher deductibles increase financial risk for employees, they result in lower premiums. The idea is that employees will be more judicious in their use of medical services because they will be bearing a greater share of the initial cost of care.

In 2007, an HDHP used in concert with an HSA must have an annual deductible of at least \$1,100 for an individual, with an out-of-pocket limit not more than \$5,500. For family coverage, the HDHP must have an annual deductible of at least \$2,200 and an out-of-pocket limit not more than \$11,000 (see chart on this page). Deductibles are not required for preventive care, and out-of-pocket maximums may be higher for out-of-network care. An HSA holder can contribute up to \$2,850 for individual coverage or \$5,650 for families, while people age 55 and older could make an extra “catch-up” contribution of \$800 as of 2007.

For more information on health insurance companies offering HSA-eligible plans in your state, visit [www.HSAInsider.com](http://www.HSAInsider.com). To compare different company policies in most states, visit [www.ehealthinsurance.com](http://www.ehealthinsurance.com). For more information on HSAs visit [www.treas.gov/offices/public-affairs/hsa/](http://www.treas.gov/offices/public-affairs/hsa/).

HDHP and HSA Amounts	
<b>Individual Coverage</b>	<b>2007</b>
HDHP Minimum Annual Deductible	\$1,100
HDHP Maximum Out-of-Pocket Amount	\$5,500
HSA Maximum Annual Contribution Level	\$2,850
<b>Family Coverage</b>	<b>2007</b>
HDHP Minimum Annual Deductible	\$2,200
HDHP Maximum Out-of-Pocket Amount	\$11,000
HSA Maximum Annual Contribution Level	\$5,650*
55 & Older Catch-up Contributions	\$800
*The maximum contribution is the lesser of the indexed amount of the HDHP deductible amount. Source: BlueCross BlueShield of Illinois	

## HEALTH REIMBURSEMENT ARRANGEMENTS (HRAs)

Health Reimbursement Arrangements (HRAs) are employer-funded accounts that employees can draw upon tax free to pay qualified medical expenses. An employer sets up the HRA and decides the amount of money available for each employee’s out-of-pocket medical expenses. Unlike an HSA, HRAs are funded with notional (*i.e.*, virtual) dollars that can only be accessed when a claim is submitted.

HRA funds can be used for deductibles, co-payments, prescription drugs, dental services and other health-related expenses. Most commonly, HRAs are coupled with an HDHP. Once an HRA’s funds are exhausted, the employee then has to meet a deductible for medical expenses before major medical coverage kicks in. The employee then submits a request to be reimbursed through the HRA. If funds remain in an HRA at the end of the year, the employer can choose to roll them over into the next year for future medical expenses. Unused HRA balances typically revert back to the employer when the employee terminates employment. However, the Internal Revenue Service (IRS) recently issued guidance that allows employers a one-time rollover of HRA balances into HSAs.

Both HSAs and HRAs are becoming increasingly popular because they provide a less expensive option for employers, and are shown to make employees more thoughtful with their health care spending.

For more information on HRAs, visit [www.or.regence.com/agent/product/docs/healthReimbArrangFAQ.pdf](http://www.or.regence.com/agent/product/docs/healthReimbArrangFAQ.pdf).

For plan options available through NFIB, visit [www.affinityhealthplans.com/nfib/hra.php](http://www.affinityhealthplans.com/nfib/hra.php).

## **FLEXIBLE SPENDING ACCOUNTS (FSAs)**

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An FSA allows employees to set aside funds from their pre-tax paychecks to be spent on health-related expenses, including co-pays, deductibles and other services not covered by the base health care insurance plan. At the beginning of the plan year, usually January 1st, the employer asks the employee how much money he or she wants to contribute for the year.

Employees have only one opportunity per year to enroll, barring a qualified “family status change,” such as marriage, birth, divorce or loss of a spouse’s insurance coverage. The designated amount for the year is taken out of the employee’s paycheck in equal installments and placed in a special account by the employer.

As an employee incurs medical expenses that are not fully covered by his or her base health care insurance plan, the employee must provide proof of payment to the plan administrator. The administrator then will issue a reimbursement check.

A major drawback of FSAs is the “use-it-or-lose-it” rule in which funds must be spent within the plan year. Employees have three months after the end of the calendar year to

submit claims for eligible expenses incurred during the previous calendar year. After the three months, any money left in the employee’s account will be forfeited back to the company.

As with HRAs, however, the IRS recently issued guidance that allows employers a one-time rollover of FSA balances into HSAs.

Additional information on HSAs, HRAs, FSAs and HDHPs can be found at [www.cahi.org/cahi\\_contents/resources/pdf/n124HSAFSAHRAJan07pdf.pdf](http://www.cahi.org/cahi_contents/resources/pdf/n124HSAFSAHRAJan07pdf.pdf) and [www.irs.gov/publications/p969/ar02.html](http://www.irs.gov/publications/p969/ar02.html).

## HSA/HRA/FSA COMPARISON TABLE

	Health Savings Account (HSA)	Health Reimbursement Arrangement (HRA)	Flexible Spending Account (FSA)
<b>Eligible Plans</b>	Must be offered with a high deductible health plan	No restrictions (usually offered with a high deductible health plan)	No restrictions
<b>Minimum Deductible</b>	\$1,100 Single \$2,200 Family	No restrictions	No restrictions
<b>Out-of-Pocket Maximum</b>	\$5,500 Single \$11,000 Family	No restrictions	No restrictions
<b>Eligible Contributors</b>	Employer, employee or both	Employer	Employer, employee or both (usually employee only)
<b>Maximum Contribution</b>	\$2,850 Single \$5,650 Family	Employer Decision	Employer Decision
<b>Pre-tax contributions</b>	Yes	Yes	Yes
<b>Year-to-Year Balance Carryover</b>	Yes	Employer Decision	No; except COBRA
<b>Portable, employee-owned</b>	Yes	Employer Decision	No
<b>Tax-free withdrawals for qualified health care expenses</b>	Yes	Yes	Yes
<b>Earns Interest</b>	Yes	No	No
<b>Withdrawals for non-qualifying medical expenses</b>	Yes. Withdrawals for non-qualifying medical expenses are subject to income taxes and a 10% penalty. Individuals who are over age 65 are not subject to 10% penalty.	No	No

## Leading HSA Administrators

HSA Administrators																															
<b>Interest</b>	Varies depending on investment chosen	5%	<table border="1"> <tr><td>\$0-\$499:</td><td>1%</td></tr> <tr><td>\$500-2.5K:</td><td>1.73%</td></tr> <tr><td>\$2.5K-5K:</td><td>2.13%</td></tr> <tr><td>\$5K-15K:</td><td>3.15%</td></tr> <tr><td>Over 15K:</td><td>4.41%</td></tr> </table>	\$0-\$499:	1%	\$500-2.5K:	1.73%	\$2.5K-5K:	2.13%	\$5K-15K:	3.15%	Over 15K:	4.41%	<table border="1"> <tr><td>\$0-\$1K:</td><td>1.8%</td></tr> <tr><td>\$1K-\$5K:</td><td>2.3%</td></tr> <tr><td>\$5K-\$10K:</td><td>2.7%</td></tr> <tr><td>\$10K-\$15K:</td><td>3.2%</td></tr> <tr><td>Over \$15K:</td><td>4.2%</td></tr> </table>	\$0-\$1K:	1.8%	\$1K-\$5K:	2.3%	\$5K-\$10K:	2.7%	\$10K-\$15K:	3.2%	Over \$15K:	4.2%	<table border="1"> <tr><td>\$0-\$1K:</td><td>1%</td></tr> <tr><td>\$1-\$5K:</td><td>2%</td></tr> <tr><td>Over \$5K:</td><td>3%</td></tr> </table>	\$0-\$1K:	1%	\$1-\$5K:	2%	Over \$5K:	3%
\$0-\$499:	1%																														
\$500-2.5K:	1.73%																														
\$2.5K-5K:	2.13%																														
\$5K-15K:	3.15%																														
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\$10K-\$15K:	3.2%																														
Over \$15K:	4.2%																														
\$0-\$1K:	1%																														
\$1-\$5K:	2%																														
Over \$5K:	3%																														
<b>FDIC Insured</b> (funds in Interest-bearing account)	NO	Yes	Yes	Yes	Yes																										
<b>Securities Investment Options</b> (Brokerage Account)	Consumers can direct their account balances among several Wells Fargo mutual funds	YES (For accounts over \$2,000)	Investment options are available. Choose from over 7,000 mutual funds, 3,000 of which are no-load.	Investment options are available. Choose from over 7,000 mutual funds, 3,000 of which are no-load.	Any stock, bond or mutual fund																										
<b>Set Up Fee</b>	\$0	\$10	\$18	\$0	\$15																										
<b>Monthly Maintenance Fee</b>	\$4.25	\$3	\$2.25 (Waived on balances of \$3,000 or more)	\$2.50 (Free first 90 days; waived if balance is over \$2,500 or with any direct deposit)	\$2.50																										
<b>Closing Fee</b>	\$0	N/A	\$25	N/A	\$20																										
<b>Brokerage Account Fee</b>	\$0	N/A	\$0	N/A	\$0																										
<b>Checks</b>	NO	YES (\$1.50 / 6 checks)	YES (\$7.95/ 50 checks)	YES (no charge for first order)	NO																										
<b>Debit Cards</b>	YES (no charge for first two cards; \$10 thereafter)	Yes	YES (no charge for first two cards)	YES (no charge for first two cards)	YES (no charge for first card, \$5 thereafter)																										
<b>Auto Reimbursement</b>	NO	NO	NO	NO	YES (e-checks and e-deposits)																										
<b>Balance Requirements</b>	\$100 to open	\$25 monthly deposit required	\$25 initial deposit	None	None																										
<b>Statements/ Reporting</b>	Quarterly and Year End	Monthly (online); mailed upon request	Monthly and Year End	Monthly and Year End	Quarterly, Year End and real-time access to account status																										
<b>Portable</b>	YES	YES	YES	YES	YES																										

Source: ehealthinsurance.com

**Important Notices and Disclaimer:** This HSA administrator comparison matrix is a summary for informational purposes only. The information in the matrix has been provided by the HSA administrators identified above. Because this information changes frequently, check with the relevant HSA administrator to confirm its accuracy. You should also review your chosen HSA administrator's enrollment documents for a more detailed description of current requirements, fees and investment options. Only the terms and conditions listed in your enrollment documents are binding.

## CHAPTER 3

# CHOOSING A HEALTH CARE PROVIDER

Providing workers with health insurance does not have to be an “all-or-nothing” proposition. The Small Business Administration (SBA) encourages small business owners to research available health plan and carrier options and select a reputable insurer that can provide a competitive advantage in recruiting and retaining skilled employees.

Small business owners also should determine the needs of their employees when shopping for health insurance. It is important to discuss the array of options, and let your employees know that you might be unable to afford all forms of coverage and that they might have to shoulder some of the financial burden. By including your employees in the decision-making process, they will appreciate being involved and having the opportunity to share their opinions, according to the U.S. Chamber of Commerce.

### FINDING THE RIGHT PLAN

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Business owners and employees who suffer from chronic health issues or visit the doctor at the first sign of illness should consider plans with a low deductible. Premiums for these individuals will be higher, but they will not be hit with having to pay for the initial \$1,000 to \$5,000 of medical costs, according to NFIB. For people who simply want health insurance to protect them from the financial burden associated with injuries and disease, HDHPs are a good option because they have lower monthly premiums.

While HDHPs can help your business save money, employees might have reservations

about the high deductibles. Employers can mitigate these concerns by pairing the HDHP

#### Educational Websites

- **Entrepreneur.com: Insurance Center**

[www.entrepreneur.com/insurance](http://www.entrepreneur.com/insurance)

A long list of articles related to health insurance issues for small businesses.

- **AllOptions.com: Small Business Health Insurance**

<http://insurance.alloptions.com/small-business-health-insurance.asp>

This site will find multiple quotes from different vendors based on the prospective customer's inputs.

- **Website 101: Small Business Health Insurance & Healthcare Article Library**

[http://website101.com/Health\\_Insurance](http://website101.com/Health_Insurance)

A site with dozens of articles specific to small business health insurance issues.

- **HealthDecisions.org: Agents & Brokers**

[www.healthdecisions.org/Broker/LearningCenter](http://www.healthdecisions.org/Broker/LearningCenter)

This site provides in-depth tools for consumers and industry professionals to help with health care coverage decisions.

- **MedlinePlus: Health Insurance**

[www.nlm.nih.gov/medlineplus/healthinsurance.html](http://www.nlm.nih.gov/medlineplus/healthinsurance.html)

A government site that helps educate prospective health insurance buyers.

Source: [www.work.com/health-insurance-shopping-web-sites-839](http://www.work.com/health-insurance-shopping-web-sites-839)

with an HSA or HRA, or with a slight salary increase to offset the deductible cost. NFIB says employees might actually be ahead fiscally from such a salary increase, because few workers ever use all or even most of their benefits provided through a comprehensive, employer-sponsored health plan.

### SELECTING A HEALTH CARRIER

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SBA says businesses should contact an independent insurance agent or broker who can (1) explain the range of available coverage

options, including managed care plans and CDHC; (2) put forward alternative plans and quotes; and (3) sell and service the policy. Since you will have an ongoing relationship with your agent, it is important that you contact only experienced, reputable providers or agents. Avoid simply comparing prices since each insurance company quote that an agent or broker provides might be for different coverages. You should request the entire proposal from the insurer, including customer service and claims paying capabilities.

In reviewing the proposals, SBA says you should ask your agent or broker the following questions:

- Is the insurance carrier reputable and financially strong?
- Will the policy be renewed every six months or annually?
- Is the plan easy to administer? Is there a toll-free number to call to make changes or have questions answered?
- What are the penalties employees should know about? Are there any “hidden” deductibles, such as a separate inpatient hospital deductible?
- Will the insurer underwrite the policy as a group, as individuals or both?
- Does the managed care plan provide enough of a financial incentive to encourage employees to select network providers?

It also is a good idea to ask other small business owners in your area which provider or agent they use. NFIB says you should inquire about their experience with a provider regarding:

- Prices;
- Deductibles and co-pays;
- User-understandability of options (are they understandable as written in the policy description, or does each option have to be explained in detail?);

- Receptivity of agent to answer questions before and after a contract is written;
- Cost increases over previous few years;
- Cost containment options (such as disease management programs);
- Speed of claims payments for covered illnesses or accidents; and
- “Hassle-level” of payments (*i.e.*, do you and your attorney need to threaten action just to get a response?).

NFIB also points out another way to assess the overall services of a provider is to question doctors’ offices in your area about which providers have been the most and least reliable in overall servicing of claims. The claims administrator for a doctor’s office will be familiar with all major providers covering local patients and businesses, says NFIB.

Another option is to contact your state department of insurance for a list of local providers that offer group plans for small businesses. There is a chance that your state has associations that provide small businesses with favorable rates and coverage.

At the end of the day, a health insurance plan should not be purchased based on cost alone. NFIB says businesses should take into account all facets of the policy rather than just a few central features.

Contact your local SBA for additional resources or call the Small Business Answer Desk at 1-800-8-ASK-SBA. Also, visit your local Chamber of Commerce at [www.chamberofcommerce.com](http://www.chamberofcommerce.com).

### **Maximize Benefits and Save Money**

*Health Insurance In-Depth has a website that provides an online educational health insurance course at no cost. The five-lesson course is designed to educate consumers on how to maximize the benefits of health insurance policy, while saving money at the same time. The site also helps consumers uncover and design the type of policy that will fit their budget.*

*For more information on this educational tool, visit [www.healthinsuranceindepth.com/health-insurance-course.html](http://www.healthinsuranceindepth.com/health-insurance-course.html).*

## Chapter 4

# Smart Tips for Buying Health Insurance Online

by Karen Auby  
eHealthInsurance

Thanks to the Internet, buying a health insurance plan for yourself or your family is simpler than ever before. You'll find lots of valuable information online and hundreds of sites that want to sell you a health insurance plan. But buying health insurance isn't like ordering a book. Purchasing health insurance is a serious endeavor, and you'll have to provide some personal information to complete your application. So who can you trust? How can you shop smart? Here are a few tips to keep in mind:

### **Shop with a licensed agent**

When shopping for health insurance online, selection and assistance are important. Many health insurance companies sell their plans directly to consumers, as well as through licensed agents. But by limiting your scope to a single health insurance company, you may be limiting your options.

A licensed health insurance agent can sell plans from a variety of insurance companies, provide you with personal advice and assistance and work with the insurance company on your behalf to help expedite a decision on your application. An agent can be an individual or a company with multiple agents working to find the best plan to meet your needs. Licensed health insurance agents must follow stringent guidelines mandated by the insurance companies they represent and your state department of insurance. And buying through an agent won't cost you any more than going directly to the insurance company. Make sure any online health insurance agent you work with provides easy access to their state license number.

### **Make sure they have quality phone support**

You may never need to call your licensed online agent, but you want to make sure that they're available when you need them. A reputable agent should never hide their phone number in the fine

print. It may not be on the homepage, but you should be able to find it within one or two clicks. You'll want to be sure you're working with an insurance agent who's available for you not only when you're shopping, but also down the road after you've made your purchase. Courteous, helpful telephone assistance and easy accessibility are a great indicator that you've found a quality health insurance partner.

### **Look for seals of approval or quality ratings**

Quality insurance companies and reliable licensed agents will typically promote the approvals or high ratings they've received from consumer advocacy groups such as the Better Business Bureau, TRUSTe or A.M. Best. When choosing an online health insurance agent, look for a Better Business Bureau Online logo. The BBBO provides reliability reports for online business, which include specific company information and reports of any consumer complaints. Your online agent should also have the approval of an Internet privacy protection organization like TRUSTe. Some of the health insurance companies you see online are big names, but others, you might not have heard of before. Look for A.M. Best ratings for health insurance companies you have questions about. A high A.M. Best is the benchmark for quality in the insurance industry.

Shopping for health insurance online might seem a little intimidating at first, but it's the best and easiest way for you to get the information, assistance and selection you need, and to make valuable connections with licensed agents. Follow these tips while you shop for health insurance online and you'll be doing what you can to protect your personal information and make the most of your time and money.

For more information, visit  
[www.nfib.com/object/IO\\_20674.html](http://www.nfib.com/object/IO_20674.html).

## Health Plan Internet Resources

Major health insurance carriers and licensed health insurance agencies operate websites that compare plans and rates and allow you to apply online, receive notification within days, and pay no fees. The following websites are among the best resources on the Internet.

Company	Website	Services
<b>Aetna</b>	<a href="http://www.aetna.com/employer">www.aetna.com/employer</a>	A health insurance industry giant's site regarding small business.
<b>Bank of America: Small Business Health Insurance</b>	<a href="http://www.bankofamerica.com/insurance">www.bankofamerica.com/insurance</a>	Site allows the user to choose a state, and the browser will return small business insurance packages based on location.
<b>Blue Cross/Blue Shield: Employer Health Care Coverage Information</b>	<a href="http://www.bluecross.com/bluefinder">www.bluecross.com/bluefinder</a>	Blue Cross/Blue Shield companies are collectively the largest health insurance provider. This site has their business information and products.
<b>BuyerZone: Group Health Insurance Price Quotes</b>	<a href="http://www.buyerzone.com/benefits/health_insurance">www.buyerzone.com/benefits/health_insurance</a>	Site asks five basic insurance questions, and the engine returns five different small business insurance quotes.
<b>eHealthInsurance</b>	<a href="http://www.ehealthinsurance.com">www.ehealthinsurance.com</a>	This Internet-based agent sells insurance packages for small business owners.
<b>HealthInsurance.com: Business Owners</b>	<a href="http://www.healthinsurance.com/hi/web/basics/Business_Owners">www.healthinsurance.com/hi/web/basics/Business_Owners</a>	An online insurance site that is a collaboration by two of the largest insurance firms in the industry.
<b>Insurance.com: Small Business Health Insurance Quotes</b>	<a href="http://www.insurance.com/Health.aspx">http://www.insurance.com/Health.aspx</a>	This online broker allows a user to search for small business health insurance by zip code.
<b>MedHealthInsurance: Small Business Health Insurance</b>	<a href="http://www.medhealthinsurance.com/smallbusiness.htm">www.medhealthinsurance.com/smallbusiness.htm</a>	Another broker that collects information from the potential customer, and then finds the best value out of its portfolio of vendors.
<b>MostChoice: Group Health Insurance</b>	<a href="http://www.mostchoice.com/group-health-insurance.cfm">www.mostchoice.com/group-health-insurance.cfm</a>	This broker says it will find the best insurance deal based on your needs.
<b>Wells Fargo: Small Business Group Health Insurance Overview</b>	<a href="http://www.wellsfargo.com/biz/products/insurance/health/overview">www.wellsfargo.com/biz/products/insurance/health/overview</a>	The small business health insurance site of American banking giant Wells Fargo.

Source: [www.work.com/health-insurance-shopping-web-sites-839](http://www.work.com/health-insurance-shopping-web-sites-839)

## CHAPTER 5

# CUT HEALTH CARE COSTS

### PROFESSIONAL EMPLOYER ORGANIZATIONS (PEOs)

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More and more small businesses are turning to professional employer organizations (PEOs) to manage their human resources functions, ranging from payroll to health care. A PEO hires a client company's workers and becomes the employer of record for tax and insurance purposes. PEOs benefit from pooling employees from multiple clients, which leverages greater purchasing power and lowers health insurance premiums.

The National Association of Professional Employment Organizations (NAPEO) says there are more than 700 PEOs operating in the United States, covering some 2 to 3 million workers. PEO services typically require a one-time startup fee and then an ongoing percentage of payroll, which can fluctuate from less than 5 percent to more than 15 percent, depending on the services and the average worker salary (Sloan, Julie – “Cure Your HR Ills” – FORTUNE magazine, March 28, 2007).

For more information, visit NAPEO at [www.napeo.org](http://www.napeo.org). Information on PEO providers and PEO licensing by state can be found at [www.staffmarket.com](http://www.staffmarket.com).

### MINI-MEDICAL PLANS

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For small business owners currently unable to fully insure their workers, limited benefit or “mini-medical” plans offer a possible

alternative. NFIB says mini-medical plans, which have lower costs than traditional health plans, provide basic coverage for doctor visits, lab work, some surgery and prescription drugs. Drawbacks of these plans include having no major medical benefits or coverage for catastrophic illness and injuries.

California Broker has an in-depth article on mini-medical plans at [www.calbrokermag.com/Magazine/story/sep2005/alternativehealth.htm](http://www.calbrokermag.com/Magazine/story/sep2005/alternativehealth.htm).

You can learn more about mini-medical plans by visiting NFIB at [www.nfib.com/agla](http://www.nfib.com/agla) or by visiting broker and provider websites, including [www.ehealthinsurance.com](http://www.ehealthinsurance.com) and [www.healthbenefitsdirect.com/minimedical.aspx](http://www.healthbenefitsdirect.com/minimedical.aspx).

### WALK-IN MEDICAL CLINICS

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Walk-In Medical Clinics are an increasingly more common health care alternative for necessary but routine medical services and treatment of minor medical conditions.

Although urgent medical clinics have been around for decades, updated in-store clinics are cropping up in supermarkets, drug stores and other retail outlets throughout the country. The clinics treat patients on a walk-in basis and often are open seven days a week and include evening hours.

According to the California Healthcare Foundation, the number of such retail outfits grew from 60 in January 2006 to 280 at the beginning of this year. It is estimated that by

2012 there will be 5,000 clinics in operation. In general, the clinics are staffed by nurse practitioners or physician assistants, and often are supervised by physicians.

In April 2007, Wal-Mart announced plans to boost its number of in-store health clinics throughout the nation. At the World Health Care Conference in Washington, D.C. last month, the retailer revealed plans to open an additional 400 in-store clinics over the next three years and possibly 2,000 within the next five to seven years, reports the American Medical Association (AMA).

Currently, Wal-Mart has clinics in 75 stores in 12 states. At the conference, Wal-Mart President and CEO Lee Scott said the clinics provide affordable access at the local level to quality health care for customers and communities, according to AMA.

## WELLNESS PROGRAMS

Wellness programs are gaining popularity among employers and employees as a way to help stabilize health care costs and create a healthy work environment. Preventable chronic illnesses, such as diabetes and heart disease, affect more than 33 percent of America's workforce and account for nearly 75 percent of the country's total health care costs. A new report from The Guardian Life Insurance Company of America found that smaller companies trail larger businesses in the implementation of wellness programs despite the fact that 82 percent of small employers said they see value in them.

Wellness programs can positively impact a company's finances and collectively reduce medical spending by helping employees change behaviors that contribute to the cost of health care. The report also found that 68 percent of small employers want their

insurance carriers to assist in implementing wellness and prevention programs to help minimize absenteeism and health care costs.

For more information on the Guardian survey, *Benefits and Behavior: The Voice of American Business Owners and Benefit Decision Makers Today*, visit

[www.guardianlife.com/company\\_info/press\\_releases/june\\_05\\_2007.html](http://www.guardianlife.com/company_info/press_releases/june_05_2007.html).

### Wellness Program Resources

*The Centers for Disease Control and Prevention (CDC) sponsors websites that provide information, resources and step-by-step toolkits to help business owners improve the health of employees.*

#### The Community Guide

This online guide provides recommendations for programs and policies to promote health. [www.thecommunityguide.org](http://www.thecommunityguide.org)

#### CDC Healthier Worksite Initiative

This website addresses workforce health promotion and provides useful resources for creating programs that reduce costs to employers and improve employee health and morale. Although the site was designed as a resource for wellness program planners in state and federal government, it is also helpful for non-government workplaces. [www.cdc.gov/nccdphp/dnpa/hwi/index.htm](http://www.cdc.gov/nccdphp/dnpa/hwi/index.htm)

#### Wellness Proposals

A North Carolina-based agency that has partnered with the country's leading wellness companies. It provides wellness program information and a free-of-charge service that can receive up to 30 different wellness proposals. [www.wellnessproposals.com](http://www.wellnessproposals.com).

## CHAPTER 6

# Top Things to Know and Consider About Health Insurance

Provided by Blue Cross/Blue Shield of Arizona

### ***Insurance can protect you against significant financial loss.***

The purpose of insurance is to protect you against significant loss resulting from car accidents, fire, liability, and illness or personal injury. Health insurance coverage can keep you from having to pay the full cost of certain medical expenses in the event of illness or injury. Health insurance can cost a lot but having no coverage can cost a lot more. Medical bills from a minor illness can deplete your savings; a major illness can leave you bankrupt. In this respect, health insurance is a good value.

### ***Health insurance is a contractual agreement between you and your health insurance company.***

Employers and individuals agree to pay a monthly premium in exchange for the insurance company providing coverage and payment of at least some of the expenses incurred for certain medical conditions. Like most contracts, there are restrictions and stipulations. Not all medical expenses, conditions, or situations are covered by the insurance company. It is important for you to know what is covered and what is not covered in your contract with your health insurance company.

### ***There is a difference between health care coverage and health care.***

The health insurance company provides health care coverage (payment for medical expenses covered by the contract). The physician provides health care (treatment for

medical conditions). Health insurance companies do not provide health care.

However, the insurance company may have a contract with the physician (an agreement that the physician will provide care to the customers of the health insurance company in exchange for a specified reimbursement).

### ***Not all health insurance companies are alike.***

Some are not-for-profit and return the money they earn into benefits and services for customers; some are for-profit plans with shareholders and stock values. Some have very large networks of physicians; some have smaller networks of physicians. Some have established standards for customer service; some do not. Some have been in business for decades; others are relatively new. It is a good idea to find out as much as you can about your insurance company and how it operates.

### ***Not all health insurance products are alike.***

A Preferred Provider Organization (PPO) contains a contracted network of physicians. However, a PPO "member" can choose between going to a physician within the network (and receiving a discount on medical services) or going to a physician that is not in the network (and paying more to receive these same services). Some PPOs offer copays: a \$5, \$10, or \$20 set fee for a physician office visit or a prescription. Most copays are priced less than a meal for a family at a fast food restaurant.

Other PPOs require the member to pay coinsurance (for example the member may

pay 20% of the medical costs in-network and the health insurance company will pay 80%, or the member may pay 30% of the medical costs out-of-network and the health insurance company will pay 70%). Coinsurance amounts vary. Other health insurance products include HMOs, open-access HMOs, point-of-service products (POS), and Health Savings Accounts (HSAs).

***The lowest premium isn't always the cheapest coverage.***

What is covered by your health insurance may be more important than what you pay up front for it. Ultimately, the best health insurance coverage for you will provide the benefits you may need at a price you can afford.

***The premium dollar an individual or employer pays consists of several key components.***

These components include medical costs, administrative costs, and the reserve dollars required for the health insurance company to remain financially solvent.

***The premium dollar amount can fluctuate based on the costs of each premium component.***

When medical costs increase due to high utilization (use of medical services), escalating drug costs, or higher physician and hospital reimbursement, the premium amount may also increase. When administrative costs increase due to mandated benefits from the legislature or additional legal requirements, the premium amount may also increase.

When reserve requirements are set higher due to the potential losses incurred in consumer lawsuits, the premium amount may also increase. There are many pressures today on the premium amount. Understanding the components of the premium and the impact

of consumer behavior and legislation is very important in helping to control premium costs.

***Knowing up-front how your health insurance company operates and what is covered or not covered in your health insurance coverage may help you in the long run.***

Some people wait until they or their dependents are sick before they find out more about their health insurance company and their health care coverage. Knowing up-front how your benefits work can help you feel more confident and more secure when you use them.

## CHAPTER 7

# SMALL BUSINESS HEALTH CARE REFORM

Small businesses, such as independent exhibitors, are an integral part of our nation's economy. Critical to economic recovery and strength, small businesses continue to be leaders in innovation and create new jobs at a higher rate than large companies.

Congress needs to move forward aggressively in enacting comprehensive health care reform aimed at increasing access and affordability for small business throughout the nation. NATO joins NFIB in supporting market-based solutions that put more control in the hands of the public than the government.

For more information, visit [www.nfib.com/page/healthcare.html](http://www.nfib.com/page/healthcare.html).

### SMALL BUSINESS HEALTH PLANS (SBHPs)

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Small Business Health Plans (SBHPs) could reduce the number of uninsured Americans by giving small businesses the same accessibility, affordability and cost in the health insurance marketplace currently enjoyed by big business and unions.

SBHPs would provide small business owners the opportunity to band together across state lines through bona fide trade and professional associations, like NATO, to negotiate better premiums with insurers, lower administrative costs and improve their risk profile. As a result, small businesses would have more

favorable premiums and a larger selection of plans to choose from.

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*“Small Business Health Plans will give us, and other small businesses, a viable option in providing our employees with health benefits. It will introduce more competition to a marketplace that in some areas has reached a near monopoly.”*

Ray Hallett  
Hallett Cinemas LLC

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While some states allow small businesses to purchase limited health insurance coverage through associations, they must comply with complex state laws and regulations. Large and medium-sized companies and labor unions that self-insure their employees and members, however, are exempt from these requirements under the Employee Retirement Income Security Act (ERISA) of 1974. ERISA allows large organizations to preempt state regulations, thus avoiding the burdensome job of complying with different rules, regulations and benefit mandates in each of the 50 states.

Regulation of SBHPs under similar federal standards would level the playing field by affording small employers greater purchasing clout, administrative efficiencies and the same economies of scale that large businesses, like General Motors and Wal-Mart, now experience, according to NFIB. Federal regulation of SBHPs would permit them to

operate across state lines, and build on the successful ERISA structure that has contributed to affordable private health care for more than 150 million Americans.

For more information on SBHPs, visit [www.sbhpsnow.com](http://www.sbhpsnow.com).

## MEDICAL LIABILITY REFORM

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Reforming our country's medical liability laws should lower overall health care costs. Medical liability reform would bring a greater level of equality to the legal system and slash unnecessary litigation and legal costs, while protecting the rights of people with legitimate claims. The medical liability crisis jeopardizes both the affordability and availability of health care for small businesses. In many states throughout the country, large jury awards have forced insurance premiums to rise at exorbitant rates and have resulted in severe shortages of specialists, such as obstetricians and emergency room doctors.

Like NFIB, NATO supports medical liability reform legislation that caps non-economic damages, abolishes joint and several liability (in which two or more persons are liable for the same injury), implements a sliding scale for attorneys' contingency fees and reforms the "collateral source rule" (a rule of evidence that prohibits the admission at trial of evidence that a victim's damages were compensated from some other source).

## HEALTH CARE TAX DEDUCTIONS

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Under the current tax code, the self-employed are unable to deduct the cost of health insurance premiums from the wage base for FICA (Social Security and Medicare) taxes. Corporations on the other hand can deduct such costs as a business expense. As a result of not being able to deduct premiums as a business expense, the self-employed are forced to pay 15.3 percent in additional taxes compared with other business entities.

A standard deduction is supported by a group of Republicans, led by President Bush and Sen. Jon Kyle (R-AZ), according to a *Wall Street Journal* editorial. In a plan unveiled by

the White House earlier this year, President Bush outlined a proposal that would replace the current health insurance tax system with a standard deduction for health insurance. Under the proposal, families buying health insurance would pay no income or payroll taxes on \$15,000 of income, while individual Americans purchasing health insurance would pay no income or payroll taxes on \$7,500 of income. The *Journal* says the deduction "would go a long way toward creating a more affordable private insurance market."

For more information, visit the White House at [www.whitehouse.gov/infocus/healthcare](http://www.whitehouse.gov/infocus/healthcare). Additional information is available at the Coalition Supporting Equity for Our Nation's Self-Employed at [www.setaxequity.org](http://www.setaxequity.org).

## HEALTH INSURANCE MANDATES

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One way to lower the cost of health care is to allow small businesses access to coverage that is tailored to fit their needs. As a rule, all health insurance is subject to federal health care laws, including federally mandated benefits. Small businesses, however, are subject to state-mandated benefit laws, while ERISA generally exempts large businesses from such regulations. Under this patchwork of laws, which became common during the 1990s, insurers are required to provide coverage for certain diseases and health services that vary from state to state.

Although mandates make health insurance more comprehensive, they also lead to higher premiums. According to NFIB, mandated benefits drive up the cost of health insurance by as much as 45 percent.

For research on mandated health benefits from the Council for Affordable Health Insurance, visit [www.cahi.org/cahi\\_contents/resources/pdf/TrendsEndsMay2006.pdf](http://www.cahi.org/cahi_contents/resources/pdf/TrendsEndsMay2006.pdf).

## CHAPTER 8

# STATE HEALTH CARE LAWS

The federal government and the states have enacted legislation with health coverage mandates for the past 30 years. The Council for Affordable Health Insurance (CAHI) released a report this year that found the number of state health insurance mandates have grown to more than 1,800 nationwide.

In *Health Insurance Mandates in the States 2007*, CAHI defines mandates as “laws requiring that a health insurance policy or health plan cover (or offer to cover) specific providers or procedures.” CAHI also notes, “While mandates make health insurance more comprehensive, they also make it more expensive because insurers are required to pay for care consumers previously funded out of their own pocket. In some markets, mandated benefits have increased the cost of individual health insurance by as much as 45 percent. When health insurance costs increase, more people drop or decline coverage.”

The key distinction between health coverage provided by small and large companies is that small business owners usually buy health insurance policies sold by insurers, while large firms generally self-insure their workers. While federal law generally requires all private employers offering health benefits to their workers to meet certain minimum requirements, states have the primary responsibility for regulating health insurance policies sold by insurers, according to the General Accounting Office (GAO). Consequently, health care provided by small businesses is subject to both federal and state requirements, while large companies that self-insure are subject only to federal requirements.

Depending on the states in which their employers are located, employees working for small businesses could have substantially different benefits, premiums and protections available to them. “As a result, substantial variation exists across states in the extent to which they impose requirements on health insurance, such as mandating coverage of certain benefits or placing limits on premiums,” according to a GAO report published in 2003.

<b>State Health Care Laws and Regulations</b>
<b>Council for Affordable Health Insurance (CAHI)</b>
Health Insurance Mandates in the States 2007 (includes a comprehensive table of mandates in each state) <a href="http://www.cahi.org/cahi_contents/issues/article.asp?id=491">http://www.cahi.org/cahi_contents/issues/article.asp?id=491</a>
<b>General Accounting Office (GAO)</b>
Private Health Insurance: Federal and State Requirements Affecting Coverage Offered by Small Business <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-03-1133">www.gao.gov/cgi-bin/getrpt?GAO-03-1133</a>
<b>Kaiser Family Foundation (KFF)</b>
State Health Facts (up-to-date data on managed care enrollment, state consumer protection laws, and state benefit requirements) <a href="http://www.statehealthfacts.kff.org">www.statehealthfacts.kff.org</a>
<b>Health Insurance In-Depth</b>
State Health Insurance Laws and State Health Insurance Regulations <a href="http://www.healthinsuranceindepth.com/individual-state-guides.html">www.healthinsuranceindepth.com/individual-state-guides.html</a>

## STATES THAT AUTHORIZE TAX CREDITS OR DEDUCTIONS

States	Tax Credit or Deduction	
<b>Idaho</b>	<b>Credit</b>	Employers are eligible to apply a \$1,000 tax credit per employee earning an average rate of \$15.50 or more per hour. State defined "revenue-producing enterprises" that employ individuals earning an average rate of less than \$15.50 per hour are eligible to receive a \$500 tax credit per employee.
<b>Kansas</b>	<b>Credit</b>	For the first two years, the tax credit allowed is the lesser of \$35 per month per eligible employee or 50 percent of the total amount paid by the employer. For the third year, the tax credit will equal 75 percent of the lesser of \$35 per month per employee or 50 percent of the total amount paid by the employer. For the fourth year, the tax credit will equal 50 percent of the lesser of \$35 per month per employee or 50 percent of the total amount paid by the employer. For the fifth year, the tax credit will equal 25 percent of the lesser of \$35 per month per employee or 50 percent of the total amount paid by the employer. For the sixth and subsequent years, no tax credit is granted.
<b>Kentucky</b>	<b>Credit</b>	For the first year, a tax credit of 20 percent of the first year premium can be applied. For the second year, a tax credit of 15 percent of the premium can be applied. For the third year, a tax credit of 10 percent of the premium can be applied. For the fourth year, 5 percent of the premium can be applied.
<b>Maine</b>	<b>Credit</b>	The credit is applicable for employers who provide health benefits to dependents of employees. The credit is limited to 20 percent of qualified expenses, not to exceed \$125 per employee with covered dependents.
<b>Massachusetts</b>	<b>Credit</b>	For the first year, the tax credit applied can be 20 percent of the entire amount of premium paid and 10 percent in the second year.
<b>Ohio</b>	<b>Deduction</b>	The premiums paid by a small employer are fully deductible.
<b>Oklahoma</b>	<b>Credit</b>	The tax credit can be applied to those employers whose employees participate in the state certified, basic health benefit plan. A tax credit of \$15 per month per eligible employee is allowed for two consecutive years.
<b>Oregon</b>	<b>Deduction</b>	Although there are no provisions in state law that refer to this deduction, Oregon's income tax system allows for businesses to include the costs of providing health insurance coverage as one of the "costs of doing business" when determining their taxable income.

Source: Kaiser Family Foundation, [www.statehealthfacts.org](http://www.statehealthfacts.org).

## CHAPTER 9

# HEALTH CARE LEGISLATION IN CONGRESS

### SENSE OF THE SENATE ON SMALL-BUSINESS HEALTH CARE

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The United States Senate on August 2, 2007 unanimously approved an amendment stating its commitment to pass legislation this year on health insurance reform for the self-employed and small businesses.

The sense of the Senate, adopted as an amendment to the State Children's Health Insurance Program (SCHIP) reauthorization legislation, encourages Congress to enact legislation that "improves access to affordable and meaningful health-insurance coverage, especially for Americans in the small group and individual health-insurance markets."

Senator Blanche Lincoln (D-AR) proposed the amendment, which was co-sponsored by Senators Olympia Snow (R-ME), Max Baucus (D-MT), Charles Grassley (R-IA), Ted Kennedy (D-MA), Michael Enzi (R-WY), Bill Nelson (D-FL), Richard Durbin (D-IL), Mike Crapo (R-ID), Gordon Smith (R-OR), Orrin Hatch (R-UT), Thomas Carper (D-DE), Johnny Isakson (R-GA), Mark Pryor (D-AR), Christopher Dodd (D-CT) and John Kerry (D-MA).

### STEPS TO TRANSFORM HEALTH CARE IN AMERICA ACT (S. 1783)

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Senator Michael Enzi (R-WY), ranking member of the Senate Health, Education, Labor and Pensions Committee, in July introduced a bill that includes ten steps

designed to expand access to health care providers and insurance.

Enzi said his "Ten Steps to Transform Health Care in America Act" (S. 1783) would reduce health care costs and reflects concepts from a number of proposals already introduced.

A former small businessman, Enzi has been a champion of lowering health care costs for small business owners. S. 1783 includes a provision from legislation Enzi introduced in the 109th Congress that provides interstate pooling of health insurance and increases accessibility for small business owners and members of associations and unions.

Specifically, businesses would be able to band together across state lines and leverage their combined negotiating power to demand better and more affordable benefits. Experts agree that enabling more people to afford private health insurance would lower costs across the board.

For more information on S. 1783, visit <http://enzi.senate.gov> and [www.thomas.gov/cgi-bin/bdquery/z?d110:s.01783](http://www.thomas.gov/cgi-bin/bdquery/z?d110:s.01783).

### THE HEALTHY AMERICANS ACT (S. 334)

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Sen. Ron Wyden (D-OR) in May introduced legislation that aims to guarantee health insurance for all U.S. residents. Under S. 334, individuals would be required to purchase their own insurance.

Employers would not provide health benefits, but instead would be required either to increase wages or make “shared responsibility” payments to the government, based on the number of employees and revenue.

The legislation is co-sponsored by Sen. Bob Bennett (R-UT), who says it could be financed with the \$2.2 trillion currently spent on health care. Bill sponsors claim S. 334 could save the federal government an estimated \$1.48 trillion over 10 years. While some states, including California and Massachusetts, are working on ways to insure all residents, Wyden says the federal government must handle the issue because it involves the tax code.

For more information visit <http://wyden.senate.gov> and [www.thomas.gov/cgi-bin/bdquery/z?d110:s.00334](http://www.thomas.gov/cgi-bin/bdquery/z?d110:s.00334).

### **THE EVERY AMERICAN INSURED HEALTH ACT (S. 1886)**

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Five Republican senators in July introduced the “Every American Insured Health Act” (S. 1886).

The legislation aims to provide every American with a refundable, advance flat tax credit of \$2,160 per individual and \$5,400 per family. Individuals would be free to use the tax credit to choose the health care plan that best accommodates their needs.

Sens. Richard Burr (R-NC) and Bob Corker (R-TN) proposed the bill, which was cosponsored by Sens. Tom Coburn, M.D. (R-OK), a practicing physician; Mel Martinez (R-FL); and Elizabeth Dole (R-NC).

The senators say the plan provides an avenue to ensure all Americans have health care coverage, thereby reducing the number of uninsured Americans and lowering health care costs for all citizens.

The proposal aims to give Americans the ability and resources to purchase health care in the free market, and is designed to encourage individuals to take control of their own health.

For more information visit [www.thomas.gov/cgi-bin/bdquery/z?d110:s.01886](http://www.thomas.gov/cgi-bin/bdquery/z?d110:s.01886).

### **THE HEALTHY WORKFORCE ACT (S. 1753)**

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Sens. Tom Harkin (D-IA) and Gordon Smith (R-OR) introduced the Healthy Workforce Act (S. 1753), which aims to encourage businesses to implement workplace wellness programs.

The legislation would provide a tax credit to businesses that offer a wellness program. The tax credit would be worth up to \$200 per employee for the first 200 employees, and up to \$100 per employee thereafter. To qualify for the tax credit, employees would have to work at least 25 hours per week.

An employer could receive the tax credit for 10 years after the establishment of a qualified wellness program. To be eligible for the tax credit, employers must incorporate three of the following four provisions into their wellness program:

- A health awareness program that includes education and health risk assessment programs;
- A behavioral change program that encourages employees to lead a

healthy lifestyle through counseling, seminars or online programs, including classes on nutrition, stress management, or smoking cessation; A supportive environment to encourage employee participation in the workplace wellness programs, which could include offering a meaningful incentive to participating employees, such as a reduction in health insurance premiums; and An employee engagement committee, which would tailor the wellness program to the needs of the workforce at a particular company.

For more information, visit <http://harkin.senate.gov> and [www.thomas.gov/cgi-bin/bdquery/z?d110:s.01753](http://www.thomas.gov/cgi-bin/bdquery/z?d110:s.01753).

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### **THE PROMOTING HEALTH FOR FUTURE GENERATIONS ACT (H.R. 2639)**

Rep. Charles Boustany, Jr. (R-LA-7) introduced legislation designed to build intergenerational “wealth for health” savings by allowing adult children to inherit health investment plans, such as an HSA, without tax penalties.

The “Promoting Health for Future Generations Act of 2007” (H.R. 2639) also would increase the annual HSA contribution limit to \$5,500 for individual coverage and \$11,000 for family coverage.

Boustany said in a statement, “By allowing adult children to inherit an HSA in the same way a spouse can, this measure will help working families build ‘wealth for health’ savings that can be passed on to other generations.”

For more information, visit <http://boustany.house.gov> and [www.thomas.gov/cgi-bin/bdquery/z?d110:h.r.02639](http://www.thomas.gov/cgi-bin/bdquery/z?d110:h.r.02639).

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### **The Help Efficient, Accessible, Low-cost, Timely Healthcare (HEALTH) Act (H.R. 2580)**

In June, Rep. Phil Gingrey, MD, (R-GA-11) introduced a measure to reform the country’s medical liability system. The “Help Efficient, Accessible, Low-cost, Timely Healthcare (or HEALTH) Act of 2007” (H.R. 2580) aims to establish a cap of \$250,000 for non-economic damages, prohibits arbitrary punitive damage awards and allows patients to recover the full cost of economic damages.

For more information, visit <http://gingrey.house.gov> and [www.thomas.gov/cgi-bin/bdquery/z?d110:h.r.02580](http://www.thomas.gov/cgi-bin/bdquery/z?d110:h.r.02580).

## CHAPTER 10

# ONLINE HEALTH INSURANCE RESOURCES

### General Information

- **The Agency for Healthcare Policy and Research (AHRQ)**

[www.ahrq.gov](http://www.ahrq.gov)

AHRQ provides information to help people make informed decisions about health care.

- **The Centers for Disease Control and Prevention (CDC)**

[www.cdc.gov](http://www.cdc.gov)

The CDC is a U.S. agency responsible for tracking and investigating public health trends. The agency's mission is to promote health and quality of life by preventing and controlling disease, injury, and disability. The CDC also is a useful resource for information health and wellness programs.

- **Employee Benefit Research Institute (EBRI)**

[www.ebri.org](http://www.ebri.org)

The mission of EBRI is to contribute to and to enhance the development of sound employee benefit programs and public policy through objective research and education.

- **Healthfinder**

[www.healthfinder.gov](http://www.healthfinder.gov)

Healthfinder is an award-winning federal website for consumers, developed by the U.S. Department of Health and Human Services together with other federal agencies. It is a resource for finding government and nonprofit health and human services information on the Internet, and links to information and websites from more than 1,500 health-related organizations.

- **National Association of Insurance Commissioners (NAIC)**

[www.naic.org](http://www.naic.org)

NAIC promotes uniformity in the regulation of insurance among the 50 states and the District of Columbia. The NAIC website provides information on how to identify a fraudulent agent or insurer.

- **National Federation of Independent Business (NFIB)**

[www.nfib.com](http://www.nfib.com).

NFIB is a advocate for health care reform and provides useful member benefits and research tools to help you shop for health care.

- **National Association for the Self-Employed (NASE)**

<http://health.nase.org/Health101/Basics.asp>

NASE provides informative and detailed information on finding the best health care options for your small business.

- **U.S. Department of Labor**

[www.dol.gov](http://www.dol.gov)

Provides consumer information on health plans and benefits.

## Managed Care Plans

- **The American Heart Association (AHA)**

[www.americanheart.org/presenter.jhtml?identifier=4663](http://www.americanheart.org/presenter.jhtml?identifier=4663)

AHA provides detailed information on the differences between Health Maintenance Organizations (HMOs), Preferred-Provider Organizations (PPOs) and Point-of-Service (POS) plans.

## Consumer-Driven Health Care (CDHC)

- **The Council for Affordable Health Insurance (CAHI)**

[www.cahi.org/cahi\\_contents/resources/pdf/n124HSAFSAHRAJan07pdf.pdf](http://www.cahi.org/cahi_contents/resources/pdf/n124HSAFSAHRAJan07pdf.pdf)

CAHI provides detailed information on consumer-directed health care (CDHC) plans, including health savings accounts (HSAs), health reimbursement arrangements (HRAs) and flexible spending accounts (FSAs).

- **HSAInsider**

[www.HSAInsider.com](http://www.HSAInsider.com).

HSAInsider is an online source for CDHC. The site has leveraged the Internet to enable small business owners and others to find and purchase high-deductible health plans and HSAs. HSAInsider also provides guidance on laws and best practices concerning HSAs.

## Choosing a Health Care Provider

- **AllOptions.com: Small Business Health Insurance**

<http://insurance.alloptions.com/small-business-health-insurance.asp>

A website that provides numerous quotes from various vendors based on an individual's information.

- **Entrepreneur.com: Insurance Center**

[www.entrepreneur.com/insurance](http://www.entrepreneur.com/insurance)

This site provides articles on health insurance issues affecting small businesses.

- **HealthDecisions.org: Agents & Brokers**

[www.healthdecisions.org/Broker/LearningCenter](http://www.healthdecisions.org/Broker/LearningCenter)

This site provides in-depth tools for consumers to help with health care coverage decisions.

- **HealthInsuranceIndepth**

[www.healthinsuranceindepth.com/health-insurance-course.html](http://www.healthinsuranceindepth.com/health-insurance-course.html)

Site provides an online educational health insurance course at no cost. The five-lesson course is designed to educate consumers on how to maximize the benefits of health insurance policy, while saving money at the same time. The site also helps consumers uncover and design the type of policy that will fit their budget.

- **MedlinePlus: Health Insurance**

[www.nlm.nih.gov/medlineplus/healthinsurance.html](http://www.nlm.nih.gov/medlineplus/healthinsurance.html)

A federal government site that provides education information on health insurance.

- **Website 101: Small Business Health Insurance & Healthcare Article Library**

[http://website101.com/Health\\_Insurance](http://website101.com/Health_Insurance)

Website 101 has a range of articles targeting small business health insurance issues.

## Health Plan Internet Resources

- **Aetna**

[www.aetna.com/employer](http://www.aetna.com/employer)

A health insurance industry giant's site regarding small business.

- **Bank of America: Small Business Health Insurance**

[www.bankofamerica.com/insurance](http://www.bankofamerica.com/insurance)

This site allows the user to choose a state, and the browser will return small business insurance packages based on location.

- **Blue Cross/Blue Shield: Employer Health Care Coverage Information**

[www.bluecross.com/bluefinder](http://www.bluecross.com/bluefinder)

Blue Cross/Blue Shield companies are collectively the largest health insurance provider. This site has their business information and products.

- **BuyerZone: Group Health Insurance Price Quotes**

[www.buyerzone.com/benefits/health\\_insurance](http://www.buyerzone.com/benefits/health_insurance)

This site asks five basic insurance questions, and the engine returns five different small business insurance quotes.

- **eHealthInsurance**

[www.ehealthinsurance.com](http://www.ehealthinsurance.com)

A licensed health insurance agency and one of the leading online sources for small businesses to find, compare and purchase health insurance.

- **HealthInsurance.com: Business Owners**

[www.healthinsurance.com/hi/web/basics/Business\\_Owners](http://www.healthinsurance.com/hi/web/basics/Business_Owners)

An online insurance site that is a collaboration by two of the industry's largest insurance firms.

- **Insurance.com: Small Business Health Insurance Quotes**

<http://www.insurance.com/Health.aspx>

This online broker allows a user to search for small business health insurance by zip code.

- **MedHealthInsurance: Small Business Health Insurance**

[www.medhealthinsurance.com/smallbusiness.htm](http://www.medhealthinsurance.com/smallbusiness.htm)

Another broker that collects information from the potential customer, and then finds the best value out of its portfolio of vendors.

- **MostChoice: Group Health Insurance**

[www.mostchoice.com/group-health-insurance.cfm](http://www.mostchoice.com/group-health-insurance.cfm)

This broker says it will find the best insurance deal based on your needs.

- **Wells Fargo: Small Business Group Health Insurance Overview**

[www.wellsfargo.com/biz/products/insurance/health/overview](http://www.wellsfargo.com/biz/products/insurance/health/overview)

The small business health insurance site of American banking giant Wells Fargo.

Source: [www.work.com/health-insurance-shopping-web-sites-839](http://www.work.com/health-insurance-shopping-web-sites-839).

## Cutting Health Care Costs

- **Professional Employer Organizations (PEOs)**

For more information on PEOs, visit the National Association of Professional Employment Organizations (NAPEO) at [www.napeo.org](http://www.napeo.org). Information on PEO providers and PEO licensing by state can be found at [www.staffmarket.com](http://www.staffmarket.com).

- **Mini-Medical Plans**

California Broker has an in-depth article on mini-medical plans at [www.calbroker.com/Magazine/story/sept2005/alternativehealth.htm](http://www.calbroker.com/Magazine/story/sept2005/alternativehealth.htm).

You can learn more about mini-medical plans by visiting NFIB at [www.nfib.com/agla](http://www.nfib.com/agla) or by visiting broker and provider websites, including [www.ehealthinsurance.com](http://www.ehealthinsurance.com) and [www.healthbenefitsdirect.com/minimedical.aspx](http://www.healthbenefitsdirect.com/minimedical.aspx).

- **Wellness Programs**

North Carolina-based Wellness Proposals is an agency that has partnered with the country's leading wellness companies. It provides wellness program information and a free-of-charge service that can receive up to 30 different wellness proposals. For more information, visit [www.wellnessproposals.com](http://www.wellnessproposals.com).

For more information on the Guardian wellness program survey, *Benefits and Behavior: The Voice of American Business Owners and Benefit Decision Makers Today*, visit [www.guardianlife.com/company\\_info/press\\_releases/june\\_05\\_2007.html](http://www.guardianlife.com/company_info/press_releases/june_05_2007.html).

The Community Guide provides recommendations for programs and policies to promote health at [www.thecommunityguide.org](http://www.thecommunityguide.org)

The CDC Healthier Worksite Initiative website addresses workforce health promotion and provides useful resources for creating programs that reduce costs to employers and improve employee health and morale. Although the site was designed as a resource for wellness program planners in state and federal government, it is also helpful for non-government workplaces. Visit the site at [www.cdc.gov/nccdphp/dnpa/hwi/index.htm](http://www.cdc.gov/nccdphp/dnpa/hwi/index.htm)

## Small Business Health Care Reform

- **Small Business Health Plans (SBHPs)**

For more information on SBHPs, visit [www.nfib.com/page/SBHPs.html](http://www.nfib.com/page/SBHPs.html) and [www.sbhpsnow.com](http://www.sbhpsnow.com).

- **Medical Liability Reform**

For more information on medical liability reform, visit [www.nfib.com/page/medicalLiabilityReform.html](http://www.nfib.com/page/medicalLiabilityReform.html).

- **Health Care Tax Deductions**

For more information health care tax deductions, visit [www.nfib.com/page/selfEmployedTaxDeduct.html](http://www.nfib.com/page/selfEmployedTaxDeduct.html), [www.setaxequity.org](http://www.setaxequity.org) or *The Wall Street Journal* at [http://online.wsj.com/article/SB118895480030317627.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB118895480030317627.html?mod=googlenews_wsj).

- **Health Care Insurance Mandates**

For more information on health care insurance mandates, visit [www.nfib.com/page/mentalHealthParity.html](http://www.nfib.com/page/mentalHealthParity.html) and the Council for Affordable Health Insurance (CAHI) at [www.cahi.org/cahi\\_contents/resources/pdf/TrendsEndsMay2006.pdf](http://www.cahi.org/cahi_contents/resources/pdf/TrendsEndsMay2006.pdf).

## State Health Care Laws

- **Council for Affordable Health Insurance (CAHI)**

Health Insurance Mandates in the States 2007 (includes a comprehensive table of mandates in each state) [http://www.cahi.org/cahi\\_contents/issues/article.asp?id=491](http://www.cahi.org/cahi_contents/issues/article.asp?id=491)

- **General Accounting Office (GAO)**

Private Health Insurance: Federal and State Requirements Affecting Coverage Offered by Small Business  
[www.gao.gov/cgi-bin/getrpt?GAO-03-1133](http://www.gao.gov/cgi-bin/getrpt?GAO-03-1133)

- **Kaiser Family Foundation (KFF)**

State Health Facts (up-to-date data on managed care enrollment, state consumer protection laws, and state benefit requirements)  
[www.statehealthfacts.kff.org](http://www.statehealthfacts.kff.org)

- **Health Insurance In-Depth**

State Health Insurance Laws and State Health Insurance Regulations  
[www.healthinsuranceindepth.com/individual-state-guides.html](http://www.healthinsuranceindepth.com/individual-state-guides.html)