Hello. We’re glad you’re checking out our content.

We just wanted to let you know that this content is a little bit behind the times. It's still useful—but it’s not our freshest material.

For more timely resources, visit www.peoplekeep.com/resources.

Wondering why PeopleKeep is showing up in your Zane Benefits content?

PeopleKeep was created to personalize benefits for small business. Zane Benefits and PeopleKeep worked in parallel for a short time, but as PeopleKeep grew, we decided they should function as one company. Zane Benefits is now part of PeopleKeep.
Our story

Offering traditional group benefits sucks. Why? They're too expensive, too complex, and too one-size-fits-all. PeopleKeep is a new way to offer benefits called personalized benefits. Most people believe benefits are the services a company offers, such as a health insurance plan or 401k. With personalized benefits, it's the opposite. Companies give people tax-free money to spend on the consumer services they find most valuable. It's as simple as wages. For small businesses that think offering traditional group benefits sucks, PeopleKeep is personalized benefits automation software that makes offering benefits simple, painless, and personal for everyone.

Today more than 3,000 companies use PeopleKeep to hire and keep their people across the United States. PeopleKeep is based in Salt Lake City, Utah.

To learn more about PeopleKeep, visit www.peoplekeep.com.

Ready to see how PeopleKeep can work for your company?
Visit www.peoplekeep.com/demo to preview our software or click below to have a Personalized Benefits Advisor contact you.

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What is Zane Benefits?

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HOW TO NAVIGATE HEALTH INSURANCE

A Guide for the Self-Employed and Small Business Owner

Introduction

In an ideal world, health insurance would be as easy as one, two, three - right? However, the reality is, navigating health insurance isn’t exactly easy.

In fact, did you know that in a recent survey, 86% of participants were unable to identify the most basic health insurance terms? Additionally, half of Americans (22.3 million) who work for small businesses or are self-employed are uninsured (source). It’s apparent that many Americans do not fully understand their health insurance options - including small business owners.

If you’re a small business owner or are self-employed, you don’t have to be left in the dark - you can understand health insurance for yourself and your employees.

This eBook is designed to help you navigate health insurance by explaining health insurance options with simple terms, steps, and explanations. By the time you’re done reading, you will feel informed and ready to tackle health benefits for your business.
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If you don’t fully understand which health benefits are best for your small business, don’t worry. This guide will help you acquire a basic, yet comprehensive understanding of health insurance and help you navigate the best type of health benefits for your small business.
Health Insurance Basics

What is the Value of Health Insurance?

Under the Affordable Care Act (ACA), small businesses do not have to offer health insurance, however there are several benefits of offering – and having - health insurance coverage. Offering health benefits is valuable to your business because it allows you to:

1. Recruit top talent for your small business
2. Retain current employees
3. Provide peace-of-mind to employees
4. Have coverage for yourself and your family

Additionally, the ACA requires all individuals to have health insurance. So, when you offer access to health insurance, you're providing a means for your employees to have health insurance coverage and be compliant with the ACA individual mandate.

Tip: We’ll discuss the Affordable Care Act ("Health Reform") more on page 9.
Types of Health Insurance

As you consider offering health benefits, it's common to weigh the pros and cons of offering traditional group health insurance with individual health insurance. So, here's a simple breakdown of the two main types of insurance: group health insurance and individual health insurance.

Group Health Insurance

Group health insurance is a type of policy purchased by an employer and offered to eligible employees of the company, and to eligible dependents of employees. The premium cost is typically split between the employer and employee, and there is a minimum percentage rate the employer must contribute to the premiums. With group health insurance, the risk is spread over the company -- the number of employees you're covering.

Individual Health Insurance

Individual health insurance is a type of policy an individual purchases for himself and/or his family. As of 2014, all individual health plans cover employees regardless of health. With individual health insurance, the risk is spread over a large group of people -- hundreds of thousands, even millions depending on the plan and carrier.

Did You Know? The cost of group health insurance for family coverage has increased 148% over the last 16 years (source).
### Chart - Group vs. Individual Health Insurance

<table>
<thead>
<tr>
<th></th>
<th>Traditional Group Health Insurance</th>
<th>Individual Health Insurance</th>
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<tbody>
<tr>
<td>Employees keep coverage when they switch jobs</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Employees choose their network &amp; doctors</td>
<td>✗</td>
<td>✓</td>
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<tr>
<td>Premium tax credits available</td>
<td>✗</td>
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<td>Coverage for pre-existing medical conditions</td>
<td>✓</td>
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<tr>
<td>Coverage for essential health benefits</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Average cost (2014) – single coverage</td>
<td>$6,025/year</td>
<td>$4,152/year With Premium Tax Credits</td>
</tr>
<tr>
<td>Source: Kaiser 2014 Annual Employee Health Benefits Survey &amp; 2014 Federal Health Insurance Marketplace Data</td>
<td>$984/year With Premium Tax Credits</td>
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<tr>
<td>How is the plan paid for?</td>
<td>The employer purchases the plan.</td>
<td>Employees purchase the plan.</td>
</tr>
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<td></td>
<td>Employees reimburse the employer via paycheck.</td>
<td>The employer reimburses employees via paycheck.</td>
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Types of Health Insurance Plans

Whether you’re looking at individual health insurance or group health insurance, there are several different types of health plans available. The four you should know are:

1) PPO Health Insurance Plans
Preferred Provider Organization (PPO) plans are the most common. Employees covered under a PPO plan need to get their medical care from doctors or hospitals on the insurance company’s list of preferred providers in order for claims to be paid at the highest level.

2) HMO Health Insurance Plans
Health Maintenance Organization (HMO) plans offer a wide range of health care services through a network of providers that contract exclusively with the HMO, or who agrees to provide services to members. Employees on this plan will typically need to select a primary care physician (“PCP”) to provide most of their health care and refer them on to a HMO specialist as needed.

3) HSA-Qualified Health Insurance Plans
HSA-qualified plans are typically PPO plans designed specifically for use with Health Savings Accounts (HSAs). An HSA is a special bank account that allows participants to save money – pre-tax – to be used specifically for medical expenses in the future.

4) Indemnity Health Insurance Plans
Indemnity plans allow members to direct their own health care and generally visit any doctor or hospital. The insurance company then pays a set portion of the total charges. Employees may be required to pay for some services up front and then apply to the insurance company for reimbursement.
Key Health Insurance Terms

You now have a good understanding of why health insurance is valuable and the types of health insurance plans available. Next, we’ll go over important terms you need to know. Understanding each of these terms will help you pick the best health insurance for you and your business.

**Health Insurance Premium**
Your premium is what you pay monthly, quarterly, or annually to be part of a health insurance plan.

**Deductible**
Your deductible is the amount you must pay for covered services before your health insurance starts to pay. *Tip: A good rule is to keep your deductible to no more than five percent of your gross annual income.*

**Co-Pay**
Your co-pay is a flat dollar amount you pay your healthcare provider for a covered service. *Tip: If you visit the doctor often or have regular prescriptions, choose a plan with an affordable co-payment.*

**Co-Insurance**
Your co-insurance is the percentage of allowed charges for covered services that you’re required to pay. If the plan has a deductible, you pay the coinsurance for covered services after the deductible is met.

**Out-of-Pocket Maximum**
Your out-of-pocket maximum is the maximum amount of money you will pay for covered services during a benefit period (for example, over the course of a year). This financial responsibility can vary from plan to plan but can include copayments, deductibles, and coinsurance.

*For a full list of health insurance terms, see this article.*
Understanding Health Reform

As a small business owner, it is important to understand the key provisions of the ACA (aka Health Reform). Understanding these terms will help you navigate the best health insurance options for you, your family, and your employees.

**Employer Mandate**

As a small business owner, you may be asking yourself, "Do I have to provide health insurance to employees?" No business *has* to offer health insurance. However, the ACA includes a mandate for certain large employers (with 50+ full time equivalent employees) to either offer qualified and affordable health insurance, or pay a tax penalty.

This is commonly referred to as the *Employer Mandate* or *Employer Shared Responsibility Fee*.

**Individual Mandate**

Most Americans are required to have health insurance, or pay a tax penalty if they don't. This ACA rule is called the *Individual Mandate* or *Individual Shared Responsibility Fee*.

Coverage can include job-based health insurance, individual health insurance, or insurance through a government program such as Medicaid or Medicare.

**Health Insurance Marketplaces**

The Health Insurance Marketplaces are new websites where you can shop, compare, and enroll in an individual health insurance plan. Each state has a Marketplace that is either run by the state (ex: CoveredCA.com), or the federal government (HealthCare.gov).

The Marketplaces are intended to make shopping for health insurance easier and give you access to the premium tax credits.
Premium Tax Credits

The federal government provides discounts for health insurance to eligible individuals and families. The discounts, called premium tax credits, help many people buy more affordable individual or family health insurance coverage through the new state Health Insurance Marketplaces. The discounts can be applied directly toward your premium at the time of purchase.

You are eligible for a premium tax credit if you meet certain income requirements (see chart below) and do not have access to affordable health insurance through an employer or government program such as Medicaid or Medicare.

Tip: For a more information on Health Reform, download: “Affordable Care Act 101” Guide.
Choosing the Best Health Benefits for Your Small Business

Whether you’re self-employed or own a small business, know that you do indeed have options for health benefits. Here are two popular options, along with tips on ways to save money.

Option 1 - Individual Health Insurance

As mentioned earlier, individual health insurance is a type of policy an individual purchases for himself and/or his family. Individual health insurance plans can be purchased through your Health Insurance Marketplace, contacting a broker, or contacting any individual health insurance company.

The benefits of Individual health insurance are:

✓ It’s high-quality health coverage for you and your family.

✓ It costs less. You save 20% to 60% in comparison to group health insurance. And for those eligible, premium tax credits are available to help lower the cost even more.

✓ It’s flexible. You can choose your doctors and clinics.

✓ It’s portable. You can take your plan with you to any job (as long as you’re still paying the premium).

✓ It can be paired with premium reimbursement (your small business can reimburse employees for their premium expenses).
Who Is Eligible?
Individual health insurance is now available to everyone, regardless of health conditions. As such, using individual health insurance as the foundation of health benefits makes sense for:

- Owners (C-Corporation Owners, Sole Proprietors, S-Corporation Owners, Partners, and LLC's)
- Businesses of any size

Can the Business Contribute, and What are the Tax Benefits?
With individual health insurance, the business can contribute and receive tax benefits by setting up a tax-preferred premium reimbursement plan. As a small business owner, you have two options for tax-free reimbursement of individual health insurance:

- If you are a one-person business, you can set up a one-person Stand-alone Health Reimbursement Arrangement (HRA) to reimburse yourself tax-free for your premium and medical expenses. HRAs are tax deductible to you as the employer, and tax-free to you as the employee. However, there are some restrictions on the tax benefits for some types of owners. Read more about HRA owner eligibility.
- If you have two or more employees, or expect to hire W2 employees in the near future, you can set up a Healthcare Reimbursement Plan (HRP). An HRP allows you to reimburse your employees tax-free for their individual insurance premiums.

**Smart Choice:** Offer individual health insurance coupled with premium reimbursement. Premium reimbursement means you give employees a monthly healthcare allowance to use on individual health insurance – instead of contributing to a group health insurance plan. Employees purchase their own health plan, and are reimbursed up to the amount available in their balance.
Option 2 - Group Health Insurance

As described earlier, group health insurance is a type of policy an individual purchases for himself and/or his family from his/her employer. The premium cost is shared between the employer and employee. Small businesses can purchase a group health insurance through a broker, online, or through the new ACA Small Business Health Options Program (SHOP) Marketplace.

Benefits of group health insurance are:

- Full-coverage is available for you and dependents
- Some companies offer more than one plan
- Eligible small businesses can offer a SHOP health plan and access small business health care tax credits

Who is Eligible?

- Generally, businesses with two or more employees

Can the Business Contribute, and What are the Tax Benefits?

Businesses can contribute to group health insurance premiums tax-free, and employees can share in the cost of the premium with a pre-tax salary deduction. With group health insurance there is generally a minimum employer contribution (ex: 50% or 75%) and minimum participation requirements to be eligible.
What’s the Best Type of Health Benefits for Your Business?

With various options available, you don’t have to be limited to traditional group health insurance - as many small business owners think. You do have options.

So, what is the best option for your small business? Individual health insurance coupled with premium reimbursement. This option allows you to:

- **Save 20% to 60%** in comparison to group health insurance
- Choose the coverage that fits your and your employees’ needs best
- Have access to premium tax credits
- Have affordable, dependable health insurance

If you’re self-employed, individual health insurance is also the best (and often only) option for you. However, you might be eligible to set up a tax-free premium reimbursement program to save on the cost of individual health insurance.

**Tip:** To remain compliant, it's best to utilize a reimbursement software provider, such as ZaneHealth, to set up a formal premium reimbursement plan for your small business.

Download the Free eBook:

**The Step-by-Step Guide to Premium Reimbursement**

*Save 20% to 60% on Healthcare Costs*

[Download Now!](#)
Conclusion

It's time to take control of health benefits for you, your family, and your business. Whether you’re a small business owner or self-employed, you have options when it comes to health benefits and coverage.

Using the information in this guide, you now have the knowledge to provide yourself and your employees with affordable, dependable health benefits.

We hope you will take full advantage of what you have learned, and also help others understand that both small business owners and the self-employed have health benefits options.
Additional Health Benefits Resources

Employee Health Benefits Tools & Resources

Our library of eBooks, whitepapers, kits, case studies, and webinars provides tools to navigate health benefits. Our resources cover defined contribution, small business health insurance, health reform, and healthcare industry trends.

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