Wealth Planning Made Easy
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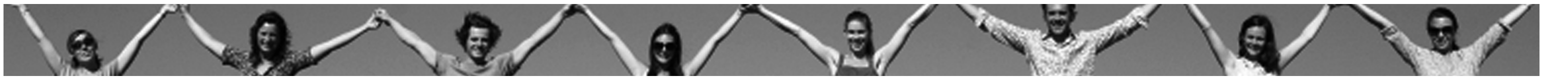
Health Insurance/Group Medical Used in Business



Health Insurance/Group Medical Used in Business

Health insurance/group medical as an employee benefit

One of the most attractive benefits a company offers its employees is health insurance. For most employees, the more health-care delivery choices, the better. Savvy workers know how to balance the cost of the health maintenance organizations (HMOs), indemnity plans, or preferred provider organizations (PPOs) against the amount of choice each provides. Another attractive employee benefit is a flexible spending account, in which employees use pretax dollars to pay for medical costs that are not covered by their health insurance. Most companies also buy workers' compensation insurance to cover their workers for medical costs caused by an accident on the job. (In most states, workers' compensation insurance is mandatory.) Employer-provided health-care benefits typically stop when the worker leaves the company. In many cases, if an employer includes health-care coverage as part of its benefits package, federal law requires that the Consolidated Omnibus Budget Reconciliation Act (COBRA) benefits be made available to terminated employees.

Example(s): *Both Bob and Ken have accidents at work. When Bob suffers from a fall at work, he is covered by both company health insurance and by workers' compensation, a policy paid for by the company. Because his injury is work related, workers' compensation insurance pays for his bills. His health insurance would have kicked in if he had fallen in his own backyard. Ken, on the other hand, is self-employed. He carries heavy material as part of his own business, so when he is injured at work, his health insurance will kick in.*

Health-care reform

The Patient Protection and Affordable Care Act (ACA) has significant implications for employers who offer health-care benefits and the workers and families covered by those plans. Important changes include:

- Extending the availability of dependent coverage under a parent-employee's health plan to adult children up to age 26, regardless of the child's full-time student status
- Providing coverage for certain preventive services, such as immunizations, infant care, and screenings
- Eliminating lifetime limits on "essential health-care benefits"
- Eliminating coverage of many over-the-counter items under health FSAs and HRAs, and treating reimbursements for the cost of such items from HSAs as taxable distributions
- Small employer can shop for health insurance through either state-based or federal small business health exchange marketplaces
- Small employers may be eligible for small business health care tax credits
- Employers with more than 50 full time equivalent employees that do not offer minimum affordable health coverage to their employees may have to pay a shared responsibility fee

Types of health insurance coverage

Health insurance coverage is probably the most important benefit provided by employers. In addition to offering a choice of ways for workers to pay for visits to their doctors and check into hospitals, employers often provide additional services for their employees, and in some cases their family members.

Family plan versus individual coverage

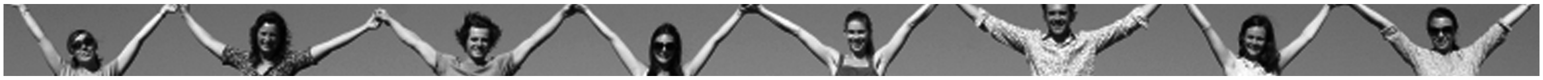
Typically, an employer health insurance plan offers both individual/employee and family/dependent health care coverage. Employees are usually covered on being hired by the company. Sometimes, there is a brief waiting period (e.g., 30 days) following your hire date for coverage to become effective. Employee health insurance plans usually use a per-family deductible as well as individual deductibles. This type of plan covers all expenses in full when total expenses for all family members exceed the deductible amount stipulated in the plan.

Depending on the type of plan, there may be health-care coverage for domestic partners, so be sure to check the plan being offered.

Health-care delivery

It doesn't take long to learn the difference between a health maintenance organization (HMO) and an indemnity/reimbursement insurance plan. Employees will quickly understand the difference when they try to see a doctor outside their plan or one who charges a co-payment they can't afford. The smart employer educates workers about the costs and benefits of the plan he or she has chosen.

Extras that appeal to workers



Many employees like health insurance that also provides a health club membership. Many workers probably would like having dental and vision insurance, too.

Extras that workers want even if they don't know it

Even if they think they will never use them, workers may someday benefit from extended mental health coverage or from alcohol and substance abuse coverage.

How much choice does a worker have?

Very large or very supportive companies usually present their employees with an array of choices, and let them decide how much they want to pay for the benefits they receive. In addition to health-care insurance, these benefits sometimes include disability coverage, life insurance, and in some cases, group rates on automobile and homeowners policies. A recent addition to the long list of company-offered benefits is long-term care insurance.

In addition, some companies offer a wellness program as preventative care. Wellness programs usually offer the employee (and in some cases, family members) educational seminars on wellness. Some companies offer discounts at health food stores, health clubs, and fitness centers.

What's the employer's financial incentive for providing insurance?

The company is happy because its employees are healthy enough to do the job, of course; that's the main compensation. But the federal government wants employers to get tax breaks for their generosity also. The Tax Code generally allows employees to exclude from income employer payments for health insurance premiums for the employee and his or her dependents. Employers also benefit because they can generally deduct such premium payments for federal income tax purposes.

Another health-care benefit: the flexible spending account/medical reimbursement

Another benefit many employers offer is a flexible spending account. Each month, a fixed amount is deducted from the employee's pay for health-care costs. When the employee has a medical expense not covered by insurance, such as a deductible, he or she presents the bill to the plan administrator who reimburses him out of his flexible spending account. Flexible spending accounts are also known as medical reimbursement plans. The employees are happy because the employee contributions to the flexible spending account come from pretax income (if certain requirements are met).

Health reimbursement arrangements

A health reimbursement arrangement (HRA) is an arrangement that allows employees to pay for medical costs using a pool of employer-provided funds. An employer establishes an HRA and contributes funds to it. The HRA reimburses employees for qualified medical expenses they've incurred, up to a maximum amount per coverage period. Unlike flexible spending accounts, HRAs (1) do not accept employee contributions, and (2) allow employees to carry over unused funds from year to year.

Caution: *HRAs may not be used to pay for many over-the-counter items, unless they are accompanied by a doctor's prescription.*

Health savings accounts

A health savings account (HSA) may be offered in conjunction with a high-deductible health plan to enable employees to save money for health-care expenses tax free. HSAs may be offered as part of a cafeteria plan. Unlike flexible spending accounts, HSAs (1) accept both employer and employee contributions, and (2) allow employees to carry over unused funds from year to year.

Caution: *HSA dollars may no longer be used to purchase most over-the-counter items not prescribed by a doctor. In addition, the tax on HSA distributions that are not used for qualified medical expenses is 20 percent.*

Changes in employer-sponsored health care

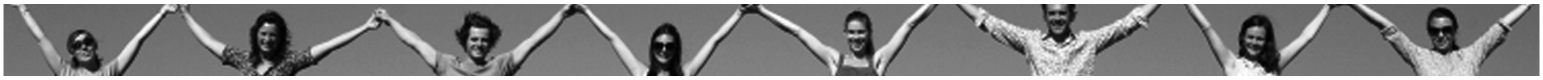
Employees need to keep up with their mail, since it may contain important information about a change in health-care coverage options. If an employer wants to change the mix of health insurance offered to employees, the company may be required to provide its employees with written notice. Consult additional resources for your specific state requirements.

Workers' compensation insurance

Employers are usually required by state law to buy workers' compensation insurance as a mandatory coverage for their employees. Workers' compensation is regulated by the states, and so varies from state to state. There is usually no cap for medical costs.

Who pays for workers' compensation?

The employer pays workers' compensation premiums, but the employer may have choices when it comes to determining from whom the insurance may be purchased. Some states permit employers to self-insure, while in others coverage must be purchased from the state's version of the workers' compensation store. In other states, employers may shop for the least



expensive coverage from a variety of private and public options.

COBRA

A company with more than 20 employees that provides health insurance must also offer COBRA benefits to anyone who leaves the organization, qualifies for COBRA, and wants it. COBRA laws require employers to allow their terminating employees to maintain their group medical insurance for up to 18 months after terminating employment. Former employees must pay for the cost of this coverage themselves. The employee has to follow strict procedures when he or she applies, but so does the company, or it may be subject to fines. COBRA doesn't cost the employer any extra premium money, but it does cost in administration time.

Tip: *Just be aware that your employer can charge an administrative fee of up to 2 percent of the premium to cover the cost of administration. Some state laws may provide more generous rights to terminated employees than those provided by COBRA. Consult additional resources in regard to your specific situation.*

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