

# Entrepreneur

SMALL BUSINESS RESOURCES

## How Small-Business Owners Can Win the Health Insurance Game



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According to the 2012 U.S. Census, there are 28 million small businesses in the U.S., employing 52.6 million Americans -- all of whom need health insurance. While small businesses with fewer than 50 employees are not required to provide health insurance coverage, many see it as an important tool to recruit and retain top talent.



**MICHAEL STAHL**

CONTRIBUTOR

Senior Vice President,  
HealthMarkets

The Small Business Health Options Program (SHOP) -- the government's program for employers looking to offer group health insurance through the Affordable Care Act (ACA) -- is meant to help those smaller companies stay competitive in the marketplace, but it hasn't gained the momentum the ACA has. Indeed, quite the opposite is true.

SHOP's shortcomings have been well documented, starting with the delay of initial enrollment by a year due to technical glitches, which still remain for many state exchanges. The requirement that employers offer a selection of options has also been postponed until at least 2016. Because of this delay, small businesses in 18 of the 32 states with SHOP exchanges are able to offer only one coverage option to employees.

On top of this, employers find the tax credit system -- one of the more compelling reasons to use SHOP -- difficult to navigate. Given these issues, it's no surprise that a recent report by the Government Accountability Office acknowledged that SHOP will likely undershoot by a significant margin its 2015 target of two million signups.

It's clear SHOP is not the solution for many small-business owners or their employees. After years of rate increases on group insurance and premiums that often cost more than rent, this isn't just a benefits problem -- it's a business problem.

Because SHOP has been postponed, many small-business owners think their only choice is to stay with the current group insurance market. The ACA, however, offers another option that can provide their employees more personalized health coverage and can save employers significant money. More and more small-business owners are offering employees a one-time "raise" to buy their own health coverage in the individual market. A small increase in pay -- combined with government subsidies, for those who qualify -- can allow employees to pay even less than they



would otherwise pay under group insurance.

Going outside the traditional group market also provides employees with greater choice of coverage for their unique circumstances and regardless of prior health history, thanks to the ACA. The benefits are clear for small business owners, too: Allowing employees to purchase individual coverage helps moderate business expenses, making them more predictable and manageable.

To provide some context: The average group insurance premium is around \$6,000 per year for a single person and \$16,000 per year for a family. On the individual market, the average premium is \$984 per year (\$82 per month) after subsidies. It's undeniable that individual health insurance often costs less than group coverage.

With individual subsidies widely available for families of four with annual household incomes of up to approximately \$95,000 and the freedom for each employee to choose from thousands of plans to get the exact coverage they need, the appeal of transitioning to the individual market as a small-business owner is clear. WellPoint, a large health insurance carrier, reported insuring 300,000 fewer people in small-group health insurance plans in 2014. Instead, people opted for -- you guessed it - - individual plans.

Employer-based coverage will continue to be the largest source of health insurance for Americans, and the government correctly recognizes that small businesses can be a key provider of employee coverage if given the right tools. That being said, the SHOP program fails to meet the needs of many small-business owners, who will continue to explore their options on the individual market.

As a country we're already investing in the ACA, which appears to be working on the individual level. Instead of investing in a program with

little utility -- SHOP -- consider doubling down on the individual market.  
Small business owners should be aware of how it can help them secure  
the health of their employees and the financial prospects of their  
business.