



Health & Benefits Coverage 101

Small Business Guidebook

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Question 1

What is Group Health & Benefits (H&B) coverage?

Group Health & Benefits is employer-sponsored insurance or a group health plan that provides employees access to medical and related health care coverage, which may include group life insurance, disability, COBRA or State Continuation coverage.



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Question 2

What types of H&B coverage are available?

Medical coverage may be the first thing that comes to mind when you think about health and benefits. However, there are additional coverage options to consider when looking to provide a comprehensive health and benefits package to employees.

H&B Coverage Options



Medical

Provided by an employer to employees and sometimes their spouses, partners, and legal dependents. Employer-paid premiums are generally tax-deductible to the employer. Each state sets minimum participation requirements needed to offer group health insurance to a company.

Fully Insured Plans

The employer pays a fixed premium rate based on the number of employees enrolled in the plan to the insurance carrier.

Partially Self-Funded Plans

The employer assumes some of the financial risk for providing health care benefits to employees.

High Deductible Health Plans

Feature higher deductibles than traditional insurance plans, but can be combined with Health Savings Accounts (HSAs) or Health Reimbursement Arrangements (HRAs) that allow employees to pay for qualified out-of-pocket medical expenses with pretax earnings.

Physician-Hospital Organization

An alliance of physicians and hospitals who sell their services to managed care companies or directly to employers.

Managed Care

Provides incentives for employees to use in-network and out-of-network physicians and hospitals – common plans include Preferred Provider Organizations (PPOs) or Health Maintenance Organizations (HMOs).

H&B Coverage Options



Dental

Contributes to oral health and overall wellness of employees and their dependents.

Traditional Plans:

See any dentist who accepts insurance.

Preferred Providers:

In-network and out-of-network coverage.



Vision

Eye care benefits for employees and their dependents with package or discount options.



Prescription

Helps employees secure the medicines doctors prescribe.

- List of covered pharmaceuticals to help manage acute and chronic conditions.
- Tiered pricing enables employees to pay a co-pay for various prescriptions.



Group Life Insurance

Provides financial protection for employees' beneficiaries.

Group Life:

A single policy owned by the employer to cover all employees.

Term Life:

Yearly renewable coverage.

H&B Coverage Options



Short-Term Disability Coverage

Pays a percentage of an employee's salary for a specified amount of time, if he or she is ill or injured and cannot perform their job.



Long-Term Disability Coverage

Pays a portion of an employee's salary when he or she cannot work for an extended period of time.



COBRA

Helps employers with 20 or more employees manage the COBRA law's complex administrative process if coverage of a member is lost due to certain events, like loss of employment.



State Continuation Coverage

Similar to COBRA but applies to group health insurance policies of employers with fewer than 20 employees. Some states include larger group insurance policies and require COBRA protection.



Voluntary Benefits

Allows employees to purchase individual insurance coverage paid by their payroll deductions, not by the employer.



[Click here](#) for a full glossary of terms for Health & Benefits.

Question 3

What “beyond basic coverage” tools can add value?

There are ways to better manage health care costs, allow employees to fund their health care expenses, and get faster access to their benefits information.



Beyond Basic Coverage Tools



Flexible Spending Accounts

Pay for eligible out-of-pocket health and dependent care with pretax earnings



Health Reimbursement Accounts

Pay for routine, non-catastrophic health care expenses



Health Savings Accounts

Savings that help cover health care deductibles or even a portion of retiree health care expenses



More info:

[Click here](#) to learn the difference between these three tax-advantaged accounts.



Premium Only Plans (POP)

Allow employees to save by paying their share of insurance premiums on a pretax basis, and enable employers to save by not paying FICA and unemployment taxes on those amounts. Typical eligible premiums include Health, Dental, Vision, Disability, and Life Insurance.



Access to Online Portals for Enrollment and Changes

Streamlines the process for benefits open enrollment and enables employees to make benefits changes online, virtually at any time (*Depends on broker and carrier*).



Keep in mind:

In order to benefit from any of the above, a health plan must be in place.



Question 4

Why does H&B coverage matter?

It is a valuable asset for your employees and your business. **It helps you:**

- ✓ Attract top talent
- ✓ Keep existing employees engaged and satisfied
- ✓ Improve the wellness of your workers
- ✓ Benefit from tax advantages



More info:

[Click here](#) to learn how H&B can help you retain great employees.

Question 5

When do businesses typically purchase it?

Benefits may provide a clear and immediate competitive advantage. That's why businesses — whether they're just getting started or are mature — should offer the best plans they can afford as soon as they can.

- ✓ Startups typically begin with the basics — basic health care, group life, and short-and long-term disability.
- ✓ Evolving businesses typically add more ancillary health care like dental and vision coverage.
- ✓ Every business needs to comply with the applicable provisions of the Affordable Care Act (ACA) from day one.





Question 6

How do businesses purchase H&B coverage?

There are several resources available for information, guidance, and help while shopping for H&B coverage.

H&B Resources



Licensed independent agents of insurance companies

They market the products of one or more insurance carriers.



Brokers

Licensed representatives who sell the products of a variety of insurance carriers.



An insurance carrier

A company that issues insurance policies and underwrites insurance coverage.



Health Insurance Marketplace/Exchange

Helps you shop for ACA-approved medical plan coverage.

Question 7

How does the Affordable Care Act (ACA) affect health benefits purchases?

The ACA has been the law of the land in the United States since 2010. It also has some compliance challenges for U.S. businesses. Even for small companies, the ACA has an impact on the type of approved health care coverage that carriers can offer.



Here are a few ACA highlights that may affect the employer-sponsored medical benefits you offer to your employees:

1

Starting in 2015, businesses with 50 or more full-time or full-time-equivalent (FTE) employees must provide ACA-approved health insurance or face a penalty under the ACA's Employer Mandate provisions.

2

A full-time employee (or FTE), eligible for employer-sponsored health benefits as defined by the ACA, is an employee who works 30 hours a week (or 130 hours a month).

3

Your employer-sponsored health care plan must offer:

- **Minimal essential coverage**
The equivalent of government and employer-provided coverage that meets ACA standards (check the list at www.healthcare.gov or www.cms.gov)
- **Minimum value**
Pays at least 60% of a plan participant's medical expenses.

4

Reporting requirements – There are several key reports required. For example, starting in 2016, all employers who provide health coverage must report to the IRS certain information regarding the individuals their health plan covers.

5

There are significant ACA penalties for noncompliance – all of which are not tax-deductible.



Keep in mind:

This information is only a small portion about the Affordable Care Act. You should visit key government websites (Health and Human Services, IRS, etc.) or the website of an ACA-certified service provider for more in-depth information about the ACA.



More info:

ADP provides access to information and guidance regarding the ACA. Check out these two resources: [Small Business Insights](#) or [Research for Health Care Reform](#).



Question 8

What is Open Enrollment?

Employers that offer company-sponsored benefits hold an “open enrollment” (OE) period each year. During OE, employers communicate upcoming benefits, features, and changes to employees who are benefits-eligible. In turn, employees choose the benefits that best meet their needs. OE usually takes place between 30 – 60 days before benefits plans renew.

Question 9

How do you choose the right H&B coverage?

Shop around for Health & Benefits coverage just as you would for any other business purchase. Ask questions. Compare pricing. Align your needs with an affordable product that best represents those needs.



H&B Checklist:

- Focus on the types of coverage/plans your business and its employees prefer
- Know how much you and your employees expect to spend for coverage
- Ensure the plan includes medical providers and hospitals you would use
- Select plans from carriers you prefer
- Know what level of support you expect from a broker or carrier
- Choose plans that meet ACA standards



Mistakenly leaving employees out of the plan can be costly. For example, the exclusion of part-timers or failing to offer benefits to custodial staff. Before setting up any benefits plan, consult a lawyer or a benefits consultant to help ensure you are extending benefits to everyone required.



Question 10

How can you manage your H&B coverage after purchase?

It all depends on your resources, how large your staff is, and how much time you want them to spend on H&B administration.

Choices may include:

- ✓ Managing all details in-house
- ✓ Obtaining assistance for plan purchases through a licensed insurance broker/ carrier representative
- ✓ Leveraging other third-party assistance — outsourcing to a service provider for benefits administration and ACA management

Conclusion

Some “take-home” thoughts

- ✓ Your H&B coverage can be a valuable offering for attracting and retaining top employees
- ✓ The Affordable Care Act is a high-impact factor driving U.S. health care
- ✓ Ongoing H&B plan management can help your business meet its requirements and employee needs





Useful Links

Learn about ADPIA's health and benefits portfolio:
<http://insurance.adp.com/en/what-we-offer/health-and-benefits.aspx>

See a full glossary of health and benefits terms:
<http://insurance.adp.com/en/what-we-offer/health-and-benefits/glossary-of-terms.aspx>

Learn about ADP's Premium Only Plan (POP):
<http://insurance.adp.com/what-we-offer/health-and-benefits/premium-only-plan-pop.aspx>

Learn how H&B can help you retain great employees:
<http://blog.adp.com/2015/04/13/how-can-i-retain-great-employees/>

Access helpful ADP resource on ACA:
<http://www.adp.com/solutions/small-business/insights.aspx> or <http://www.adp.com/tools-and-resources/adp-research-institute/research-topics/health-care-reform.aspx>

Federal Contact Guide regarding the Affordable Care Act
www.healthcare.gov
www.cms.gov
www.irs.gov

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