Once again, it’s that time of year. Employers need to evaluate their options regarding how they’re going to handle their medical benefits for 2015. Insurance companies tell us about everything they’re doing to keep increases to low double digits. Employers have been practically conditioned to accept a 12% medical renewal as the cost of doing business. However, before you accept the “trend” renewal, you should be sure all options have been evaluated and fully understood.

The implementation of health care reform and age-banded rates has made the evaluation process for employers more complicated and has forced the industry to undergo an evolution of the solutions they’ve made available for employers. We’ll briefly discuss five solutions that all small employers should understand before they make their decision.

Moving to a High Deductible Plan: Reduced premiums open up employers’ flexibility to either invest the savings towards reducing the employees’ contribution, or help the employee fund the additional deductible. If employers don’t generate enough savings to help the employees offset the additional deductible, they can help their employees by offering certain voluntary benefits.

Defined Contribution: In simplest terms, this involves the employer giving employees a set dollar amount to spend towards benefits, while the employees pay any additional cost above that defined amount. Although the concept is simple, the implementation presents employers with many questions to consider. Is the contribution just for medical, or will it include ancillary benefits? Is this going to be a paper or electronic enrollment? If electronic, does the technology provider offer decision support and the carrier you prefer? How will employees find the help they need to make decisions? These questions can be answered, but employers need to give themselves time to research the answers.

Individual Policies: Does it still make sense to offer a group plan? What are the options in the individual market? With health care reform and no medical underwriting, the individual market has become a viable option for employees, even those with pre-existing conditions. While the individual market doesn’t offer employees the same tax advantages as buying group insurance through a section 125 plan, some employees may find cheaper coverage when you factor in federal subsidies and cost sharing.

The final two options we’ll discuss have become more viable with the pricing changes due to health care reform. Now that all employers in a particular area pay the same rates for the same plan, we have an environment where employers who are a better “risk” to insurance carriers are looking to find ways to find pricing below market rates.

Professional Employer Organizations (PEO): Allow an employer to outsource employee management tasks, such as employee benefits, payroll and workers’ compensation, and training and development. The PEO does this by hiring a company’s employees, thus becoming their employer of record for tax
and insurance purposes. The advantage to small employers from a health insurance perspective is that since the PEO is not a small group, they can base the medical rates on preferred demographics and medical underwriting. Many employers can save money on their health insurance as well as consolidate additional administrative functions.

**Self Funding:** The concept of self funding isn’t new, but the options available to small employers under 100 lives have never been greater. From insurance carriers to TPAs, it seems there’s a new self-funded platform introduced every week. The real advantage to self funding is that groups with better risk factors can get preferred pricing by going through underwriting and paying their claim costs, hopefully saving money instead of their excess premium being used to subsidize less healthy groups. When looking at these options, employers need to be sure of the maximize downside if claims are high. What is the liability if there are catastrophic claims? Often, this maximum cost can still be lower than a traditional plan, but employers still need to make sure they understand the risk.

There’s no one solution for every employer, and a good solution in 2015 may not be the right solution in 2016. The key to navigating health care reform for employers is making sure you have the resources to educate yourself on the options so you can make an informed decision.

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