Health Reform: Why Employers Should Offer Coverage

With the myriad of changes coming up in 2014, many employers are wondering what they should do about offering coverage to their employees. While large employers with 50 full time equivalent employees (FTEs) are not required to offer coverage, they can be penalized for not meeting certain health reform provisions.

To Offer or Not to Offer
So is it cheaper to not offer coverage? Well, it depends. If an employer has less than 200 FTEs, it could cost them more to not offer coverage. The closer a group is to 50 FTEs, the less expensive the penalty may work out to be.

Regardless of the size of the group, it’s important to know how to respond to an employer thinking about dropping their existing coverage. The beginning and end of the story is to help your client understand why dropping coverage is a bad idea that can have lasting social and financial repercussions.

Call It Like You See It
So what should you say? At a recent broker training, IMC health reform expert, Ruthann Laswick, highlighted the following critical talking points:

Point 1# - Stay Competitive in the Marketplace
Remind employers that offering competitive benefits is a business savvy and meaningful way to show current and prospective employees that they matter. Additionally, help employers consider the impact dropping coverage would have if it was done because either a) they can since the government doesn’t mandate otherwise (<50 FTEs) or b) you’d rather pay a penalty than provide coverage (>50 FTEs).

In the DC Metro area, many employers understand that offering benefits is something that employees not only appreciate but expect. An employer’s worth heavily rests on his or her employees. In this area especially, not offering coverage is almost like announcing the closing of a company. Yes, it’s that’s serious.

Point 2# - Minimize Absenteeism
An employee who is not at work is not helping the company generate revenue. Absenteeism comes at a cost to the employer.

Point 3# - Maximize Presenteeism
Okay, so you may not find this word in the dictionary, but think about it. If your employees are confident that they have the health coverage they and their dependents need, it’s one less thing to distract them from having all hands on the corporate deck. As a result, employers who offer
Why Clients Should Offer Coverage

coverage are more likely to get more bang for their insurance bucks. Healthy employees = healthier bottom line.

Point 4# - The Penalty is Not Tax Deductible
Now here's something that very few people are talking about. Because the penalty for not offering coverage is considered an excise tax, an employer can’t take a tax deduction for it. Ouch!

Point 5# - Grow With Confidence
Employers who are hesitant to go over 50 FTE because of the employer shared responsibility provision especially need your guidance. Help them client calculate the cost of their contribution toward coverage and compare it to how much the new hires will/should add to the company’s bottom line.

Consider the following scenario provided by Ruthann Laswick:

An employer currently has 47 employees. The employer contribution towards the employee’s premium is $300. If the employer hires 3 employees, then the additional insurance premium costs will be $3600/yr. If the employer anticipates that the new hires will net the company more than $3600, then growth should not be avoided. In this instance, it would be affordable to offer coverage. If the employer is not confident that the company will net at least $3600, the issue is with the quality of the new hire, not the importance of offering health insurance coverage.

Be the Voice of Reason
With PPACA full steam ahead, your role as an advisor has never been more important. You understand the value of health insurance, the impact of not having the right coverage, and the minefield health compliance has become and will continue to be. Encourage your clients not to make emotional decisions that have the ability to negatively impact their company’s climate, reputation, and bottom line.

Be honest, speak the truth clearly, and walk the walk with your clients. And by you, IMC will do the same.

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