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## **Tips About Group Health Insurance For Small Business Owners** **By Kristi Sweeney, CFP®**

As a small business owner, you have several choices regarding your health insurance. Which is the best choice for you? Consider:

### **1. On the job coverage:**

If you have not included yourself under your company's Workers Compensation (as an owner, you can waive off), you may not be covered for work related medical claims. If you are on your spouse's employer's medical plan or on Cobra, it is very likely that you are not covered for medical claims related to your occupation. Be sure you have your own group or individual plan that includes this coverage for owners and officers who are eligible to be excluded from Workers Compensation coverage. Or include yourself on your Workers Compensation policy. Be aware of this critical risk.

### **2. Bonuses, salary adjustments, direct payments to or for employees' medical coverage:**

Instead of offering group benefits, many small employers increase salaries or make other wage adjustments. Colorado law clearly states, however, that if you are providing dollars towards health insurance, you HAVE a group plan. Your "plan" is subject to all state and federal group laws and mandates. Individual health insurers may exclude employees from getting their own individual policy when there is an employer contribution. While this practice is not illegal, it does expose you as the business owner to more risk.

### **3. Participation Requirements:**

As of January 1, 2002, state regulations allowed insurers to require 75% participation and NOT COUNT those on spouse's group plans but COUNT those employees who have individual coverage depending upon when the coverage was issued. The result is that smaller companies may have

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difficulty getting group insurance if they have eligible employees on individual plans.

Since individual plans are generally less expensive, many dependents of employees apply for individual health insurance when dependent *coverage is not employer paid*. This is not detrimental to your group participation at this time.

#### 4. **Providing group benefits to independent contractors:**

Keep business relationships with independent contractors as clear as you can. Offering group insurance benefits of any kind may have the unintended consequence of turning contractors into employees. You are liable for paying employment taxes and are responsible for Workers Compensation insurance. If independent contractors work for you over a certain number of hours per week, many insurers will allow them to be part of your plans. However, this may be a risky practice for you as an employer. Consult with your legal advisor before taking this step.

**DISABILITY INSURANCE-** As a small business owner, you and your business are particularly vulnerable to the risks of a prolonged illness or a disability from an accident. Your business and your lifestyle may very well depend only on YOU and your ability to earn an income. Some possibilities to cover this risk (from most preferable to least beneficial):

**1. Individual Long Term Disability Insurance:** Can you qualify for this coverage? It requires good health, net after business expenses income greater than \$20,000, an insurable occupation, and continuity of business for more than one year. This coverage protects you, your family and your lifestyle in case of prolonged illness or injury that keeps you from being able to work as many hours or as effectively as you do now.

**2. Business Overhead Expense Disability Insurance:** This is critical insurance if you are the main income producer in your business, have considerable business expenses and need to continue the business for one to two years in order to sell, transfer or return to your business. This

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coverage protects the business, and your investment in your business, in case of your disability.

**3. Group Disability Insurance:** Less expensive than individual coverage, you can easily qualify if you have over ten employees to be included in your plan but only if you've been in business for a few years. Drawbacks? Insurer can cancel, raise rates, and change benefits. This is not a good fit if your income fluctuates significantly. Group insurance is usually not portable because it cannot go with you if you sell your company.

**4. Long Term Care Insurance:** usually thought of for older people, this insurance is important any age since it covers expenses of a chronic, long term *catastrophic disability*. Insurance benefits provide money for ongoing care whether at home or in a care facility. Some policies are available that pay a flat amount per diem rather than reimbursing for claims. The amount of daily benefit can range from \$50 to \$300 a day. Qualifying for coverage is not dependent on employment, income or occupation - If you are healthy, you can qualify.

**5. Accident and Dread Disease Plans:** This coverage is limited to one year or one specific disease. Benefits paid are limited for instance to \$1,000 per month or one lump sum payment depending upon the type of injury or illness. Generally, you must be working and have an insurable occupation, so policies are available to most people. It provides limited protection but can help fill in the gaps with increasingly higher deductibles.

Without income protection insurance, you may have to use savings, sell assets, rely on Social Security Disability payments (strict eligibility requirements), or get Workers Compensation for on the job related claims that cause loss of income. Medicaid is also available for those with very minimal assets and income.