

A Whole New World



with Mary Drueke-Collins

Health Care Reform (PPACA) dramatically changed the way the individual health insurance market works. Like with anything, these changes impacted people in different ways –some positive, some adversely. One thing is for sure, these changes caused people to look at the individual insurance market in a whole new light. In fact, the individual insurance market is now a viable alternative for employers who historically offered a group health insurance plan to their employees.

Before PPACA, the individual health insurance market was not even an option for everyone. Individuals had to be healthy to pass underwriting in order to qualify for coverage. The plans had a variety of differences in what services were covered, and might not have covered the care you needed. Even if you were healthy enough to qualify for coverage and found a policy meeting your needs, your policy could still have exclusions due to pre-existing conditions.

Provision of PPACA made acquiring individual health insurance easier, at least during open enrollment, and brought a level of consistency to the coverages available. During the open enrollment period, everyone is eligible for individual health insurance. There are no health underwriting requirements, nor can your policy be limited due to pre-existing health conditions. Also, all health insurance policies must include certain basic benefits – coverage for preventive services, maternity benefits, emergency care and prescription coverage, just to name a few.

So far, in this 'new' health insurance marketplace, the cost of plans available on the individual market is lower than the cost of similar plans in the small group market. We posed this question to many employers – “What is the value of offering a group plan, if you can offer employees a similar plan for a lower cost?” There are pros and cons to each situation. In many instances, it is advantageous for the employee to be offered an individual plan.

Some employers took advantage of these cost savings by offering employees a monthly stipend and allowing them to pick a plan from the individual market or through the Health Insurance Marketplace (The Marketplace). In addition to the cost savings for both the employer and employee, purchasing individual plans can be a positive experience for the employees, allowing them more choice of insurance companies and plan designs than an employer can through a group plan.

Another advantage is the employees may be eligible for premium subsidies and cost sharing assistance through The Marketplace. If an employer offers a group plan that is deemed affordable by PPACA (employee share less than 9.5% of employee income), employees and their family members are not eligible for the assistance through The Marketplace. (At the time this article was written, we were awaiting a ruling on King v. Burwell, a case focusing on the legality of said subsidies, and subsidies were available to Nebraska and Iowa residents.)

The big disadvantage of individual plans in lieu of group plans is the taxability issue. PPACA removed the employer's ability to pre-tax premiums for individual plans. Individual plans now must be purchased with after-tax dollars as opposed to pre-tax dollars, which is allowed in a group plan.

As with any industry plagued by change, in order to survive, you must learn to think outside of the norm. Getting creative with the help of a trusted advisor can open up a whole new world of possibilities.

For more information, please contact your trusted advisor at Swartzbaugh-Farber – ‘Client Centered – Client Advocates™’.