

BENEFITS CORNER



Out on Your Own!

This advertorial is geared to those of you who have had made the big step of leaving the friendly confines of corporate America and started your own business. It will also be a great road map for those of you considering making the jump! The focus will be to help you make the right health insurance coverage decision for you and your family.

The first consideration in making a decision on the right kind of health coverage for you is to take into account the plans for your new business. If your business will only include you as the sole employee, then you have several options to consider. If your new business will include you and some employees, then the best option will probably end up being a group health insurance plan that will cover everyone under the same policy.

Colorado has over thirty thousand businesses that have only one employee, the owner; I will devote the rest of my space on this particular niche. The insurance industry calls this type of employer a Business Group of One, or BG-1. As a BG-1, you have both the individual health insurance marketplace and the group insurance marketplace as potential sources for your coverage. Colorado is one of only a few states that allow BG-1's to enroll into a group plan; most states require two or more employees to be considered for group coverage.

So which way is the right way for you to go? The first consideration is the overall health history of you and your family. If there are no major concerns, individual coverage might be the best option. Individual coverage can be up to 50 percent less expensive than a comparable group plan. As you will see in a moment, employer based coverage is subject to many state and some federal laws that cause group premiums to be substantially more expensive.

The process with an individual health plan will include completing an application with your chosen carrier. A full and complete health history will be taken at this time. The carrier may ask for more information on your health history or write to your physician for additional details. Based upon this review, an individual health insurance carrier can take several steps. They can approve you at preferred or standard rates; rate-up the premium to a higher level; deny coverage for certain conditions; or deny your request for coverage.

If you are approved, your coverage is

yours to keep as long as the carrier is still operating in the state. Your premium rates are typically guaranteed to stay the same for your first year of coverage. After the first year, your policy can be renewed on an annual basis while some carriers use a six- or nine-month renewal cycle after the first anniversary.

There are a few potential pitfalls with individual coverage. The first is that deducting the premium as a business expense can be a bit more problematic. Ask your CPA or accountant to help you maximize this potential. The second is that by choosing individual coverage, you will be locked out of considering a group plan as a BG-1 for three years. If you have hired someone to work for you, then group coverage is still an option. The final area of concern is that full maternity coverage benefits on an individual plan are usually very limited or nonexistent; please keep this in mind!

So why would you want to go with a group plan that is more expensive? The biggest reason is that the underwriting requirements and your ability to get coverage are much more lenient than with individual plans. Additionally, maternity coverage is a mandated benefit and must be covered like any other medical expense. There are rules that must be followed to get a group plan as a BG-1 because of the greater accessibility to obtain coverage. Most of these rules restrict the opportunity that a business can apply for group coverage.

There are windows of eligibility that a BG-1 must meet to enter the group marketplace. The first window is that your business must have been in operation for at least twelve months. During that first year, the business will need to have generated enough documentable income to cover the cost of the insurance. Your business can apply for coverage on the carrier's next available effective date after your first anniversary. If this is the window you will try to utilize, I would suggest that you continue your current coverage under COBRA or state continuation to get to the anniversary date.

If you are a BG-1, there are two other eligibility windows that you can use to enter the group health insurance market. After the anniversary rule, the next most common eligibility entry point is linked to the owner/employee's date of birth. You can get group coverage on the next available effective date after your birthday. There are two other eligibility entry points for group coverage: loss of your coverage due to COBRA benefits expiring or an involuntary loss of your current coverage.

Once we have established the eligibility entry date for your business, we will need to complete the paperwork and get it to the chosen carrier. I recommend to my clients that the paperwork be delivered to the carrier a full month in advance of the requested effective date. The paperwork for a group plan includes an application for the business, income verification for the business, and an individual enrollment form along with a health statement.

The carrier will review all of this information but will pay particular attention to the information on your health statement. Based upon the carrier's underwriting guidelines, the carrier has the right to make changes to the original proposal of benefits. A group carrier

can offer you the quoted plan within a range of premiums. Colorado law allows premiums for a regular plan to be varied upward by 10 percent or decreased by 25 percent from the standard quoted rates based upon your health history (beginning January 1, 2008, the range will be standard rate to a maximum discount of 25 percent). If your health history falls outside of a carrier's normally acceptable range, then the carrier must offer you coverage, but on a different schedule of benefits.

This different schedule of benefits encompasses a few different state mandated plans. There are a few options for these counteroffers from which you will be allowed to choose. The plans are known as the Colorado Standard, Colorado Basic, and Colorado Basic Mandate "Light" programs. The Standard plan is a schedule that mirrors the average plan offered by small employers in the state. The Basic plans have higher deductible and coinsurance limits to try to make the premiums a bit more affordable.

Once approved and final rates and plan design are settled, your coverage is effective on your chosen date. Rates are typically guaranteed for the first twelve months and renewed annually. Renewal rates are also typically guaranteed for the next twelve months as well.

If you are planning to start your own business or are a Business Group of One—Congratulations! I hope you have found this advertorial helpful in navigating the rules and options you have for your health insurance coverage. Here are a couple of final helpful hints:

1. Start your planning on this early (I have seen too many folks put this off to the last minute and been forced to go without coverage!)

2. Never cancel your current coverage until the new plan has been approved.

3. Simplify your decision—let me help you navigate through all of these options.

Thanks for reading!

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