

SHOULD I JUST QUIT PROVIDING HEALTH INSURANCE TO MY EMPLOYEES?

The question we hear asked most by employers is; “Why don’t I just quit providing my employees with health insurance and simply increase their pay so they can get coverage on their own through the new exchanges? What is the risk?”

First, you have never been required to provide health benefits in the past, so let’s consider why you have up until now. Most likely because you want to be a competitive employer to attract and keep good employees. You may also feel that it benefits your business operations if employees get medical attention when they need it so they don’t have extended periods of sick leave. And you hope to make sure that employees don’t turn personal medical issues into Workers Compensation claims just so they can have insurance coverage.

Here’s a checklist of some of the Pros and Cons should you choose to eliminate employee health benefits:

PROS

- May reduce your Labor Cost.
- Reduction in regulatory reporting requirements.
- Save time spent in bookkeeping and enrollment processes.
- Eliminate employer involvement in employee issues over claims denials or coverage problems.
- Employees get freedom of choice.

CONS

- You may lose your best employees to employers who offer health benefits.
- It may be harder to attract new employees.
- If you are non-union, you may encourage employees to seek union support.
- Increase in payroll taxes due to loss of pre-tax payments if you increase wages to compensate for loss of employer provided coverage.
- Concern if you give employees additional compensation to off-set the loss of benefits they may take the extra money, but not buy the insurance, leading to a possible increase in sick time off.
- If you do add to compensation for the loss of benefits, you will need to ‘gross up’ the amount in order to make it equitable.
- Possible loss of Tax credits available for 2-3 years if you are a Small Employer and you use the Exchange for a group plan.
- Tax deductibility makes it the lowest cost form of compensation
- If you are a Large Employer (over 50 full time equivalents), you will have to pay penalties which are not deductible expenses.
- Probable increase in Workers Compensation claims and premiums.
- Uncertainty concerning the future of the Exchanges in light of current federal funding issues.
- May make it more costly or difficult to obtain the kind of insurance you want for yourself.
- Continued pressure on wages as employees self-paid costs inflate.
- Loss of control over the impact of health insurance on your workforce.

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