

THE COSTCO CONNECTION

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A lifestyle magazine for Costco members

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The health insurance dilemma



Smart options are available for small businesses

By Phil Leberherz

IT IS A REALLY tough decision for many small businesses. How can they cover their taxes and expenses, pay a competitive wage and find money to pay for escalating health-care premiums?

With an economic slowdown, and health insurance premiums affecting margins, many employers are finding it difficult to meet all of their obligations. To remain viable, some firms are opting to insure employees, but not spouses or children. Still other employers insure full-time employees, but not part-time or seasonal workers.

The simple fact is, while they understand the value of health insurance benefits, many small businesses today cannot afford to provide coverage to some or all of their employees. With a new president taking office and possible healthcare reform looming, many employers have decided to take a wait-and-see attitude.

But business owners don't have to wait for politicians to provide a solution. Options are available to help employers and employees today. The nonprofit Foundation for Health Coverage Education (FHCE) has launched a nationwide initiative to educate consumers, healthcare providers and employers about smart, reachable health insurance options.

Here's a Q and A that can help employers ensure that all of their employees have information about available healthcare.

I want to pay some, but cannot afford to pay all of my employees' healthcare costs. What are my options?

Actually, while some employers pay 100 percent of the cost for employees and dependents, many pay a percentage of one or the other. It's up to the company to determine the percentage.

Other employers opt to provide a defined contribution, or a Medical Savings Account (MSA), giving their employees more control over their healthcare costs. There are tax advantages to this approach, because MSA contributions don't go toward an employee's earned income.

What if a valuable employee really needs healthcare coverage for a family member?

Coverage of dependents is a separate decision based on a company's ability to afford this additional commitment. However, if employees make below a specified income, their dependents may be eligible for state-run public coverage programs such as Healthy Families, the State Children's Health Insurance Program (SCHIP) or Access for Infants and Mothers (AIM).

Make sure your employees are aware of these programs. Information is available from FHCE at www.coverageforall.org, or by calling the U.S. Uninsured Help Line at 1-800-234-1317. Note that the help-line operators can also help employees fill out forms.

What if some of my employees don't qualify for coverage due to health issues?

In many states, small businesses of two to 50 eligible employees are guaranteed health coverage from insurance carriers by law, even if the employees have preexisting conditions or ongoing illnesses. Check with your state's

department of insurance to find out what the mandates are in your state.

What if I would rather pay my employee more in wages than provide healthcare coverage?

By paying your employee more, you actually will spend approximately 14 percent more than the intended raise in taxes, and the employee will receive only 66 percent of the intended raise, depending on your state's tax laws. However, the cost of providing health coverage is 100 percent tax deductible. Assuming a 35 percent tax rate, you pay only 75 percent of the budgeted cost and the employee receives 100 percent of the intended benefits.

What if my employee doesn't qualify for public programs but still needs help finding health insurance?

FHCE offers information on low-cost private insurance programs online and through operators. Operators will be able to help direct employees to the best possible options after asking a few simple questions.

Even in a slowing economy, employers want and need to retain valuable and skilled employees. While covering 100 percent of all healthcare coverage is difficult for many small employers, providing some assistance and providing information about options is something any employer can do. Ensuring that your workers know how to find out about available insurance options is good for them—and that makes it great for your business. ☞

Costco member Philip Leberherz is founder and executive director of the Foundation for Health Coverage Education, a nonprofit organization based in San Jose, California. Information is available at www.coverageforall.org or by calling toll-free 1-800-234-1317.

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Costco offers health insurance programs for businesses in select states. For more information, see costco.com, click on "Services" and see the "Insurance Services" section.