

# Health Insurance.

## A more standard part of the package.

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By Stephanie Breedlove  
Breedlove & Associates, L.P.

### **Increased Demand for Benefits**

Recently, we have noticed a significant increase in the number of clients who ask us for assistance with health insurance for their nannies. This is a question we simply did not hear five years ago. There is definitely a growing demand in our industry that has not been met. Are we seeing the increased level of professionalism that we have been working so hard to achieve? I think so – most definitely. As salaries have risen, and as families have demanded previous experience and/or college education; more teachers, counselors, etc. are changing careers to become nannies. And these employees don't want to lose their health insurance when they become nannies. In addition, more families are "sweetening the deal" with health insurance as a way to attract and retain the best candidates.

### **The Law**

Few small businesses offer health insurance, as it is not required by law. So it is even more surprising (and exciting) to see families including health insurance as a part of their nanny's salary package.

In general, there are two forms of health plans – group plans and individual plans. The families we work with usually obtain health insurance for themselves through group plans offered by their employers. If a family contacts their health insurance company in hopes of obtaining a plan for their nanny, they will most likely be turned away. It is common for health insurance companies to offer only group plans, and a family must purchase an individual plan for their nanny. The family must begin the search for a health insurance company that offers individual plans.

### **The Confusion**

Health insurance is a commodity and should be easy to obtain – you would think. However, health insurance is highly regulated – at the state level. A health plan sold in California may look very different if sold in New York. How does a family know who offers individual plans and what is covered once they find a plan? They often don't. In addition, the cost of a health plan is largely driven by the health of "the pool" of people utilizing the plan. The larger "the pool" for spreading the cost of care, the easier it is to keep premiums down. It is easier to build a large "pool" of group plans than individual plans. There are health insurance companies that offer individual plans nationwide in order to build a large "pool"; and these companies typically have more cost-effective plans, as the cost of care is shared by millions of individuals across the country. How does a family know if they have found a plan with a large "pool" and if the plan is competitively priced? Unfortunately, they often don't.

## **The Options**

Once health insurance plans have been found, how do families compare? Comparing “apples to apples” is very difficult. Generally, there are four options to choose from, and they vary in coverage and price. They are: (1) Catastrophic Care, which covers hospitalization only and is usually the least expensive option; (2) Health Maintenance Organizations (HMO), which offer full coverage if you utilize their medical facilities and/or their limited choice of physicians. HMOs are usually a lower cost option but can have high denial rates – they often keep costs down by accepting only young, healthy applicants; (3) Preferred Provider Organizations (PPO), which offer full coverage through large physician networks. Their goal is to offer cost-effective plans, as well as a choice of physicians; (4) Indemnity Plans, which allow patients to see any physician at any medical facility – no limitations at all. This is usually the most expensive option. Determining the best option is often “easier said than done”.

## **The Cost**

So what does an individual health insurance plan cost? Unfortunately, that is a loaded question. When families make a call to obtain the cost of health insurance, it is not possible to simply look up the cost on a price list. There are many options and each comes with different levels of coverage and costs. In addition, the cost of a plan is specific to the individual – age, weight, height, health conditions, the state she lives in, even the zip code she lives. It takes a little time to develop a health profile and to obtain price quotes. Depending on the type of coverage and the health profile, health insurance can range from \$75 to over \$300 per month. Families should not do business with any company that quotes the cost of a health plan without first collecting a detailed set of information about the applicant.

## **The Benefit**

Although health insurance can be costly, it is an extremely valuable benefit for any employee. The good news is that health insurance premiums are considered non-taxable compensation to the employee. This means that families can give the amount of the premium to the employee without withholding any taxes, and without paying any employer taxes on that compensation. Offering health insurance is a great way to increase the “take-home” pay for an employee without increasing the tax burden. Many regional carriers like Blue Cross, Kaiser, etc are a great place to begin to gather information from a knowledgeable, long-standing provider. Due to the increasing self-employment pool in America more health insurance companies are beginning to offer comprehensive individual plans. When searching for health insurance we recommend allowing plenty of time for researching the various providers in your area and for weighing the cost and benefits of the plans offered.

