

Small Employer Health Insurance



Published by the
Texas Department of Insurance
June 2017

Get Help from TDI

For insurance questions or for help with an insurance-related complaint, call the **Texas Department of Insurance Consumer Help Line** at **1-800-252-3439** or visit our website at **tdi.texas.gov**.

Visit **HelpInsure.com** to shop for automobile, homeowners, condo, and renters insurance, and **TexasHealthOptions.com** to learn more about health insurance and your options for coverage.

Small Employer Health Insurance

Small employers can choose whether to offer health insurance to their employees. If they offer health insurance, it must be available to all employees working 30 hours or more per week and their dependents.

Texas insurance law defines a small employer as a business with two to 50 employees, regardless of how many hours they work.

Most insurance companies require at least 75 percent of a small employer's full-time employees to participate in the health plan.

Insurance companies that sell small-employer coverage must offer it year round. However, if an employer doesn't meet the 75 percent participation requirement, an insurance company can make the employer wait until the open enrollment period to buy coverage. The open enrollment period is from November 15 through December 15 of each year.

Types of Plans

Federal law requires small-employer plans to cover a standard set of services, called essential health benefits.

These are:

- outpatient care without being admitted to a hospital;
- emergency services;
- hospitalization and surgery;
- maternity and newborn care;
- mental health and substance abuse services, including counseling and psychotherapy;
- prescription drugs;
- services and devices to help people with injuries, disabilities, or chronic conditions gain or recover mental and physical skills;
- laboratory services;
- preventive and wellness services and chronic disease management; and
- pediatric services, including oral and vision care.

Grandfathered plans (plans bought before March 23, 2010) aren't required to cover the essential health benefits. Learn more at the mandated health benefits page on the TDI's Mandated Health Benefits website at www.tdi.texas.gov/hmo/hmmanben.html. Some types of insurance, such as indemnity and specific disease policies, aren't required to meet the federal standards. These policies don't satisfy the requirement that you have health insurance.

Providing Coverage

Employers must give new employees at least 31 days from their start date to enroll in a health plan. After this time, employees might have to wait up to a year for the next open enrollment period to join. Insurance companies must offer an open enrollment period each year.

Employers may require employees to wait up to 90 days after they enroll in a health plan for their coverage to start. The insurance company may not charge a premium during this period.

Insurance companies can't deny or limit coverage to employees with preexisting conditions.

Continuing Coverage

Most employees have the option to keep their coverage for a time after leaving a job. Employers must tell employees about their rights to continue coverage.

Former employees who continue their coverage must pay the full cost of the plan. Employers aren't required to pay premiums for former employees, even if they previously paid a share.

Paying for Coverage

The law doesn't require employers to pay any part of an employee's health plan premiums. However, many insurance companies require employers to pay at least 50 percent of their employees' premiums. Employers may pay a higher percentage.

Insurance companies may raise premiums because of increases in health care costs or changes in the age of the group members. They can't raise premiums because of health factors of individual group members. However, if an insurance company discontinues coverage at the end of a policy year, it must offer replacement coverage.

Businesses with 25 or fewer full-time equivalent employees that pay at least 50 percent of premiums and pay average annual wages less than \$50,000 may be eligible for a tax credit. To get the tax credit, the business must buy coverage through the federal **Small Business Health Options Program (SHOP)**. For more information, visit HealthCare.gov's program overview page at www.healthcare.gov/small-businesses/provide-shop-coverage/.

How Insurers Calculate Small-Employer Plan Premiums

Insurance companies base the amount employers pay for insurance on the benefits and cost-sharing levels the employer chooses. The health status of employees won't affect rates. Insurance companies will consider:

- **Age of employees.** Older people usually have more expensive and more frequent health-related claims. Generally, the older the workforce, the more the plan will cost.
- **Tobacco use.** Federal law allows health plans to charge tobacco users up to 50 percent more. Texas law requires that rating factors related to health status be spread across the employer group. A group with more tobacco users will pay rates higher than a group with fewer tobacco users.
- **Geographic area.** Health care costs vary by region because of differences in the cost of living and the number of providers in the area. Most plans use either the county or ZIP code of the employer's business address to base rates.

Affordable Care Act Requirements

Businesses with fewer than 50 full-time equivalent employees don't have to pay a penalty for not providing health insurance to their employees.

Federal law defines a full-time employee as one who works at least 30 hours during a typical week. The law counts each 120 hours worked by part-time employees in a month as one full-time equivalent employee.

Consider a company with 30 full-time employees who work at least 120 hours each per month and 24 part-time workers who average 80 hours each per month.

To convert the part-time employees' hours to full-time equivalent employees, multiply the number of part-time

workers by the average number of hours they work each month: $24 \times 80 = 1,920$. Then divide the total by 120: $1,920/120 = 16$. To get the total number of full-time equivalent employees, add this number to the number of full-time employees: $30 + 16 = 46$. The employer in this example has 46 full-time equivalent employees and qualifies as a small employer under the law.

For more information, visit **HealthCare.gov** or call **1-800-318-2596**.

Buying Coverage through the Insurance Marketplace

The federal government operates the insurance marketplace in Texas.

Businesses with 50 or fewer full-time equivalent employees may buy coverage through the SHOP. An employer that bought coverage through the program, and then later exceeds the 50-employee limit, can keep the coverage.

Shopping for Coverage

These tips can help you find the best value for your money:

- **Understand coverages when comparing plans and rates.** Plans with higher deductibles, copayments, and employee share of coinsurance generally will have lower premiums. Remember that employees will have to pay more out of pocket when they get services.
- **Consider factors other than cost, such as a company's financial strength and complaint record.** You can learn a company's financial rating, as determined by an independent rating organization, and complaint record by calling the Consumer Help Line or checking on our website.

- **Buy only from licensed insurance companies and HMOs.** Selling unlicensed coverage is illegal in Texas. If you buy from an unlicensed company, your employees' claims could go unpaid and you could be held liable for the full amount of your employees' claims and losses. You can learn whether a company is licensed by calling the Consumer Help Line or by viewing the company profiles on TDI's website.
- **Understand that employee health coverage differs from workers' compensation insurance.** Although workers' compensation insurance is not required in Texas, it protects an employer from high damage awards resulting from workplace accidents. Most health plans exclude coverage for workplace injuries and illnesses. For more information, read TDI's *Workers' Compensation Insurance* publication at www.tdi.texas.gov/pubs/consumer/cb030.html.

The information in this publication is current as of the revision date. Changes in laws and agency administrative rules made after the revision date may affect the content. View current information on our website. TDI distributes this publication for educational purposes only. This publication is not an endorsement by TDI of any service, product, or company.



Texas Department of Insurance

PO Box 149091 | Austin TX 78714-9091

1-800-252-3439 | TDI.texas.gov | [@TexasTDI](https://twitter.com/TexasTDI)