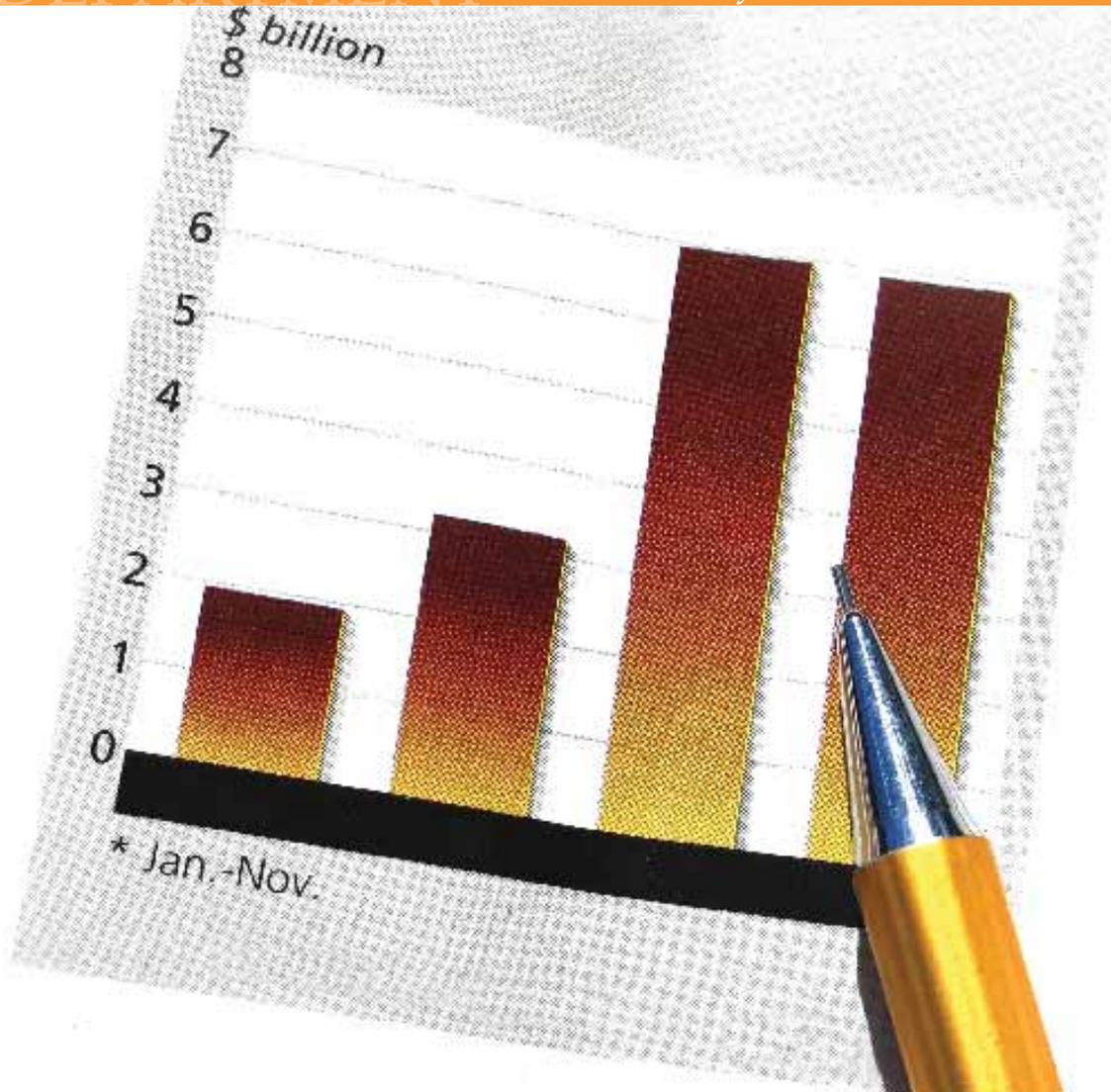


As seen in:

SCOTTSDALE Airpark News

DEPARTMENT Insurance & Benefits



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The challenge of enterprise creation excites our imagination whether we are involved in a new business, a school, or a non-profit.

The Scottsdale Airpark area is dynamic fertile ground for emerging groups. This article examines health insurance and benefit implications of the many new enterprises that germinate and grow here.

The Start Up

Most of us starting enterprises are not like Bill Gates beginning at a young age from scratch. Frequently we are just leaving employment at a major corporation of 20+ employees. We have the op-

portunity for COBRA continuation of the health insurance of our former employer at our own cost. Because COBRA is not permanent it is a short term bridge until permanent health insurance can be arranged. Private Short Term Health Insurance can often be used at significantly less cost.

If the new enterprise will stay small and if everyone is healthy then individual insurance is best for groups of two and three employees. If there is a disease or other another health issue, Health Care Group of Arizona can be the best option down to a group size of one employee. Two or more employees are needed to start a group health insurance plan at a commercial health insurance company. In Arizona,

Emerging Groups

small groups can not be turned down for health insurance and the market is competitive. However, rates can be raised up to 400% depending on the health risk in the group.

Age Banded versus Blended

Groups of up to 10 employees have two rating schemes for health insurance. The most common is that each employee is rated based on their age and sex. The rates for a 62-year-old are about 400% higher than rates for a 22-year-old. As employees come and go the age banded rates self adjust throughout the year. The second scheme is a blended rate used by BlueCross, LifeWise and Health Net down to two employees. Here the rating is an average of the age and sex at the start of the year. Small groups can have large renewal rate swings as age related adjustments are taken at year end.

10 to 25 Employees

At 10+ employees the health insurance market is consistent in having blended rates. From 10 to 25 enrolled employees there are detailed medical questionnaires that each employee must complete on behalf of their family and once again rates can swing but usually by significantly less amounts. One pregnancy maximum loads a two employee group but, with a larger premium base, one pregnancy will not have any impact on the rates of a 24-employee group.

Other issues more frequently seen for this size employer group include: what should the employer contribution be; should two health insurance plans be dual optioned; can 1099 contractors be on the plan; is an executive carve-out allowed; can two related businesses with common ownership be combined; and what are the options for owners not on the payroll?

The Challenge

Brand new emerging groups do not have their first Quarterly Wage & Tax statement required by the insurance companies. Many enterprises in start up mode have limited funds or can't agree what their priorities are for health insurance. They have no track record and they have larger fish to fry like getting operational.

A fair amount of start-ups fail. Experienced health insurance agents want larger groups that generate more significant income streams with less effort. It can be hard for a start-up enterprise to find a good agent. The bottom line is that starting an enterprise is difficult. Arranging the health insurance and benefits contributes to the difficulty. However, the challenge of starting an enterprise and nurturing into maturity is compelling or so many of us would not have tried. The rewards are great! **SM**