

The New York Times

Would You Try This Health Insurance Strategy With Your Company?

By **ROBB MANDELBAUM**

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The Agenda

How small-business issues are shaping politics and policy.

In March, we interviewed Dr. Ezekiel J. Emanuel, a doctor who advised the Obama administration on the Affordable Care Act. Dr. Emanuel had just published a book in which he predicted that within a decade, private employers would largely abandon providing health insurance to employees. This, he said, would happen even though such coverage benefits from a big tax break.

Q.

Won't losing the tax break on the coverage be painful for middle-class employees who make too much to qualify for subsidies?

A.

Well, there may be ways of their employer not providing them insurance but providing them a way to get insurance that allows them to keep the tax exclusion. You have to go into the innards of what it means for the employer to sponsor the insurance. But I'm sure they've got a lot of lawyers working on it.

He was right about that. This week, The Times reports on a service offered by Zane Benefits that effectively allows companies to reimburse employees for the individual insurance they buy. Many employers are finding that individual

insurance can be 30 to 40 percent cheaper than comparable coverage in a small group plan. And for low-income employees who are eligible for government subsidies to help with the purchase, the savings to the company can be twice that, according to Gary Adkins, an insurance agent who is fond of the Zane plan.

The problem for Zane and a handful of similar companies, as well as for their customers, is that the Obama administration and the Internal Revenue Service appear to be opposed to such arrangements.

Lawyers and lobbyists who have spoken with regulators said their concerns were practical. For example, regulators have said they fear what might happen to the individual market if companies that self-fund their insurance use these plans as a mechanism to off-load their sickest employees, those with the highest medical bills. And they say they believe it is unfair for an employee with an untaxed benefit to also receive a subsidy from the individual insurance exchange. “It gives a false sense of affordability to the exchange,” said Seth Perretta, a regulatory lawyer in Washington. “And it presents two people who aren’t equal” — because one has a tax-free benefit and the other does not — “as equal.”

An employer that chooses to adopt such a plan could face a hefty fine if the I.R.S. decides the plan does not comply with the new health law. What do you think? Should companies be allowed to use tax-free money to reimburse employees for insurance bought on the individual market? As a small-business owner, would you take the risk?



Paul Downs

Staying Alive

Paul Downs, who founded Paul Downs Cabinetmakers, writes about the struggles of a small business trying to survive in a tough economy.



Melinda F. Emerson

On Social Media

Melinda F. Emerson is founder and chief executive of Quintessence Multimedia, a social media strategy and content development firm. She writes about social media marketing.



Adriana Gardella

She Owns It

Adriana Gardella, a former lawyer who has covered small-business issues extensively as a journalist, writes about female entrepreneurs.



Robb Mandelbaum

The Agenda

Robb Mandelbaum, a veteran reporter, writes about the political and policy issues of small business.



Gene Marks

Dashboard

Gene Marks, who owns a 10-person customer-relationship-management consulting firm, files a daily dispatch on what's happening in the world that small-business owners should know about.



Robert J. Moore

The Data Boss

Robert J. Moore, chief executive of RJMetrics, writes about how small businesses are increasingly using data to make decisions.



Cliff Oxford

The Next Level

Cliff Oxford, who built one of the fastest-growing information technology companies in America and founded a center for entrepreneurship, writes about the issues of fast growth.



Josh Patrick

Creating Value

Josh Patrick has owned and operated a variety of businesses, including a wealth management company that advises owners of private businesses. He writes about the ways owners can build value in their companies.



Deb Weidenhamer

Capitalizing on China

Deb Weidenhamer, founder and chief executive of Auction Systems Auctioneers & Appraisers, writes about the intricacies and nuances of establishing a business in China.



Eilene Zimmerman

Start and Tech Support

Eilene Zimmerman, a veteran journalist who writes the Career Couch column in The Times' Sunday Business section each month, writes about start-ups and technology.



Loren Feldman

Editor

Loren Feldman is the small-business editor of The New York Times.

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