UNIVERSITY OF MARYLAND EXTENSION | SMART CHOICE™ SMART USE™ Be smart about health insurance | Signature Program | UNIVERSITY OF DELAWARE COOPERATIVE EXTENSION

extension.umd.edu FS-2024-0706 | September 2024

Health Care Insurance Options for Farm Business Operations

Note to Reader: Throughout this publication, terms that appear in **bold type** are considered **Important Words to Know.** Find their definitions in Appendix B at the end of this document.

Knowing health care insurance, also referred to as health insurance, options are important to both employees and managers of the farm business operation. For individuals, having health insurance provides peace of mind knowing you have coverage, protects your financial future, offers services and programs to keep you healthy, and leads to better health outcomes. For farm business managers, providing coverage protects you and your employees from unexpected financial loss, reduces disruptions in operations by keeping people well, and provides incentives to retain employees.

According to the 2015 USDA Agricultural Resource Management Survey (ARMS), 10.7% of farm household members lacked health insurance, slightly higher than the U.S. population. Most farmers (55.6%) seek insurance through off-farm employer-based health insurance. The remaining farmers seek insurance through direct-purchase (17.6%) or government-provided (28.2%) services, such as Medicare or Medicaid.

This factsheet outlines available health insurance options that managers of farm operations can consider and provides some tools you can use to compare plans.

Farm Business Operations

When considering health care insurance, consider the risk management aspects of your farm business operation. Risk management (Crane et al., 2013) includes Human, Marketing, Legal, Financial, and Production risks. The decision to provide health care insurance affects all five risk management areas. The manager of a farm operation needs to consider the following questions when considering health care insurance.

1. How are the farmer and family provided health care insurance? (Human Risk)
2. How are the employees provided health care insurance? (Human Risk)
3. Does offering health care insurance assist in hiring and retention of employees? (Marketing)
4. How does the business structure of the farm operation influence health care insurance options? (Legal/Financial Risk)
5. What are the legal considerations of having and/or offering health care insurance? (Legal Risk)

6. What are the costs associated with providing health care insurance? (Financial)
7. What are the financial implications of lost work time when someone is out for health care issues? (Financial)
8. How is production impacted by losing the owner or employee for health care issues? (Production)

Once the farm operation manager considers health care insurance from a risk management perspective, additional factors must be considered before selecting a plan.

Factors that Influence Health Insurance Options

Health insurance provides human farm resources with access to preventive health care, chronic disease treatment, pain management, and catastrophic coverage. It is a key tool for keeping each farmer, farm family, and worker healthy, able to perform their duties, and running the farm operations smoothly.

However, health insurance can be a significant expense for farmers, their families, and their workers. From a personal and a farm manager perspective, you must compare and shop among the many options available to you. Compare the cost of the **premium** and other **out-of-pocket** costs and the services covered by the plan.

Many factors impact your decision as to which health insurance plans to choose and how to pay for them, including:

- Your income
- Your business entity's organization (sole proprietor, LLC, or S Corp)
- The state in which you live
- Available health insurance policies and plans
- Use of **Health Reimbursement Accounts**
- The number of family members and/or employees
- Funds available to support health insurance costs, and

- Tax incentives and rules for providing health insurance.

You may need to consider multiple streams of insurance coverage to ensure the lowest price and the best coverage. For example, your income may qualify your family for assistance through the Children's Health Insurance Program (CHIP; see below) and you may get a tax credit for health insurance purchased on the Health Insurance Marketplace (see below). It may feel like you are putting pieces of a health insurance puzzle together, but doing so will ensure that you, your family and employees are covered for the long-term success of the farm operation and everyone's health.

Impacts of Income

Whether you are an individual or a business, income can affect health care insurance options. **Tax credits** provided through the **Health Insurance Marketplace** can reduce monthly premiums for individuals and companies that qualify under the Small Business Health Insurance Options Program (SHOP).

To determine if you are eligible for premium tax credits as an individual, visit: https://www.kff.org/interactive/subsidy-calculator/

To determine if your business qualifies under SHOP, visit: https://surveys.cms.gov/jfe/form/SV_23t9zWPVfCvwSA6

Impacts of Business Entity

Your business structure may influence your health care insurance options. Business structures can limit your liability (Newhall & Goeringer, 2022) but can also affect other aspects of farm operations. Health insurance and/or funding health reimbursement accounts can be a business expense, depending upon

the structure of your organization. Some considerations include whether you itemize deductions, the impact on adjusted gross income, and offering employees health insurance as a benefit. You may not want health care expenses tied to your farm operation if there is an option for health care insurance through off-farm employment. This section includes business structures to consider and the implications regarding health care insurance costs.

Providing health insurance for yourself, family and/or farm labor is a deductible business expense. Your business entity type determines how it is handled. IRS information about health insurance can be found in the Guide to Business Expense Resource page found here: https://www.irs.gov/forms-pubs/guide-to-business-expense-resources. Generally, the deduction cannot be more than the net profit of the business.

The information below examines the health care insurance implications for typical farm business operations.

Cooperative – A cooperative is a business owned and run jointly by its members. It can be a limited liability company or a cooperative. Health care insurance purchased through the cooperative would follow one of the otherwise mentioned farm business structures and be claimed or deducted accordingly.

Corporation – A corporation is owned by its shareholders, who are individuals, other business organizations, or both. The corporation may pay for health care insurance and deduct it as an operational cost for the corporation.

General Partnership – A general partnership is a separate legal entity, which can enter into contracts, title assets in its own name, and be sued. Health care insurance would be reported on Schedule K-1 Form 1065 as guaranteed payments to be included in your gross income.

Limited Partnerships – Limited partnerships are made up of at least one general partner and one or more limited partners. With limited partnerships, sources of available capital can expand beyond personal contributions and borrowed capital. Limited partnerships allow for investments by limited partners who can invest in the business and will only be liable for that investment (not full liability). To qualify for health care insurance, the partner must be more than a 2% shareholder. Health insurance costs are considered an expense on each partner's tax returns.

Limited Liability Company – A limited liability company (LLC) is a hybrid entity with the characteristics of both a corporation and a partnership. It provides owners corporate-like protection against personal liability; however, it is usually treated as a non-corporate business organization for tax purposes. Health care insurance would be reported on Schedule K-1 Form 1065 as guaranteed payments to be included in your gross income. In a multi-member LLC treated as a partnership, the health insurance plans must be considered to be established under the business, but the members can either pay the premiums themselves or the LLC pays the premiums and reports the amounts on Schedule K-1 Form 1065 of a partnership return as guaranteed income.

S-Corp – An S-Corp is a form of corporation that includes a limited number of shareholders and that meets certain IRS guidelines. If the reporting individual is more than a 2% shareholder and if the S-Corp purchases the insurance, the premium amounts would be reported on the W-2 and would be included in gross income.

Sole Proprietorship – The individual declares themselves a business and is not shielded from the business's liabilities. Health care insurance is deducted on the 1040 Form (Schedule 1).

Impacts Of the State in Which You Live

Health care insurance options are driven by the insurance companies available in a given area. For example, there are generally more health care insurance options in suburban/metropolitan areas than in rural communities. Health insurance offerings are also determined by and will vary by state laws; consequently, coverage requirements will also vary.

Impacts of Available Health Insurance Policies and Plans

When we think about health care insurance, we often think about medical health care insurance. Dental, prescription, and vision are other types of health care that, in some cases, would require separate insurance policies. When considering options, make sure to review the types of health care services being covered.

Impacts of Additional Options, such as Health Reimbursement Accounts

Health Reimbursement Accounts (HRAs) provide an alternative to traditional health care insurance. Two options are available to small business owners. Both are compliant with the Affordable Care Act. A Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) and the Individual Coverage Health Reimbursement Arrangements (ICHRA) are HRAs that allow employers to reimburse employees tax-free for individual health insurance and other health care costs. For either type of account, employees pay their medical provider or insurance company for their health care costs, then submit proof of payment to the employer for reimbursement. Reimbursement to the employee is tax-free. Typically, amounts claimed by employees are paid monthly by their employer. Employers deduct the reimbursements made to employees, reducing their own overall tax liability. And reimbursements given to employees are not

considered taxable income, so employees won't have to pay taxes on reimbursements. The main differences between QSEHRA and ICHRA are:

- Eligibility based on company size: QSEHRA can only be offered by businesses with fewer than 50 employees, while ICHRA is available for businesses of any size and can vary contributions and terms for different employee classes (full-time, part-time, etc.).
- Employees must have individual or Medicare coverage to be eligible for ICHRA, while QSEHRA also accepts coverage under a spouse or parent group plan.
- Limitations on contributions from employers: QSEHRA has a defined annual allowance cap based on annual IRS figures, while ICHRA offers more flexibility in setting reimbursement amounts.
- Design flexibility: ICHRA offers more design flexibility than QSEHRA, allowing businesses to offer differing reimbursement amounts based on employees' health statuses and job class (fulltime, part-time, resident alien, etc.)
- Eligibility for QSEHRA: Employees must have individual health insurance coverage and cannot be enrolled in a group health plan. Employers must offer the same terms to all eligible employees, except for variations based on age and family size.

The healthcare.gov and IRS websites provide more information about these plans, cost calculators and steps to start the process. See links below:

HealthCare.Gov. *Health Reimbursement Arrangements (HRAs) for small employers*. https://www.healthcare.gov/small-businesses/learn-more/qsehra/

IRS. *FAQs on New Health Coverage Options for Employers and Employees*. https://www.irs.gov/pub/newsroom/health_reimbursement_arrangements_faqs.pdf

Health Insurance Options for Farm Operators & Family Members

Farm individuals and their families have several options for acquiring health insurance coverage.

1. Off-Farm Employer-Based Health Insurance – Off-farm employment is often used to acquire health insurance and other benefits for farm family members. When a member of your family works off-farm, employers of the off-farm employee may provide insurance for employees and provide options for other members of the farm family. This option may be open to on-farm spouses and children who are under the age of 26. The tradeoff with this strategy is that working off-farm reduces time, know-how and energy, called "human capital," available for the farm operation. If the off-farm employer plan offers family coverage, compare the cost and coverage for the family members with other sources of insurance to see which plan offers the best cost and coverage. If your employer offers a health care plan for you, you are not eligible for insurance from the Health Insurance Marketplace.
2. State-based Health Insurance Marketplace – Medical and dental insurance for those under age 65 can be found through each state's Marketplace. Qualified health insurance providers offer a variety of plans that meet federal and state guidelines, present a variety of coverage options, and have various price points for health and dental coverage. When you purchase through the Marketplace, you may qualify for tax credits or premium subsidies that can help reduce your premium costs. To be eligible for any **tax credit/subsidy**, you must purchase health insurance through the Marketplace and be at or under the eligible income. States have online, in-person, and over-the-phone assistance in enrolling in these programs. They can help you better understand your premium (and tax credit). Find out more and get help at www.healthcare.gov.
3. Health Insurance Provider (Company) – Many health insurance providers will sell directly to you. Plan options are available that cover you and/or your family members. Check with your state's Insurance Commission to see which health insurance providers are licensed to sell in your state.
4. Agent/Broker – Independent insurance agents/brokers can help you identify the best plan for your situation. An agent usually represents one company, while a broker may represent several. Depending on which health insurance providers they represent, the broker may be able to help determine an insurance plan that fits your needs. The more insurance companies the broker represents, the more comparison shopping can occur across plans. Be sure you understand how the agent or broker gets paid and compare the difference between purchasing through their business and other health insurance options. Some agents/brokers have been certified to offer

Marketplace plans. You can find out which agents are certified in your area by visiting www.healthcare.gov.

5. Armed Forces Health Insurance – As an active or retired member of the armed forces, you may be eligible to use health insurance, such as Tricare, offered through the armed forces.

6. Association Membership – Some business associations like the Farm Bureau, local Chambers of Commerce, and others work with health insurance providers to provide health insurance plan options that reflect the needs of their members. As a member of an association, you become part of the buying power of the association as they negotiate plan options for their members. The available health insurance plans may provide lower-cost options depending on the association's size.

7. Medicaid – Based on income, family size, and eligibility guidelines, you and your family members may be eligible for Medicaid health insurance coverage. Each state has a variety of programs and state-specific eligibility requirements. Applying through the www.healthcare.gov website, working with a healthcare **Navigator**, or going to the Department of Social Services location that manages the Medicaid program will help you enroll. The www.healthcare.gov website can help you determine if you are eligible by answering a few questions about your income and the age of family members. The website will also provide you with contact information for the office closest to you. The Medicaid Long-Term Care program is for those who need continuous nursing home or assisted living care. It has different eligibility requirements and includes the value of the applicant's assets as one of the criteria.

8. Children's Health Insurance Program (CHIP) – This program is for low-income families with children generally under the age of 18. It helps cover the children's medical and dental care costs, and, in some states, the program will also cover pregnant women. The income and family size eligibility may differ from the Medicaid program eligibility. For more information, go to: https://www.healthcare.gov/medicaid-chip/childrens-health-insurance-program/.

9. Medicare, Medicare Advantage and Medicare Supplemental (Medigap) Insurance – Available to those 65 and older, Medicare provides health insurance coverage for hospitalization, doctors and medical services, equipment, and prescription drugs. You contribute to the Medicare program when you pay Social Security and Medicare taxes throughout your working lifetime. You must sign up for Medicare during the seven-month period around your 65th birth month (three months prior to your birth month to three months after). Even if your Social Security eligibility age is higher than 65, you need to register for Medicare during this seven-month window. Medicare can be your secondary source if you have insurance from a different source.

   Medicare Part A covers hospitalization. Medicare Part B covers doctors, medical services, equipment, preventive screenings, and other services, such as nursing home care, and covers about 80% of associated medical costs. Part D covers prescription drugs. Depending on your work history, there is no premium for Part A, but there is a monthly premium for Part B and an extra premium for Part D. Parts A, B, and D have deductibles (depending on the plan you choose). There is a lifetime penalty for not enrolling in Part D when you first turn 65, so consider enrolling then.

   Because Medicare doesn't cover all medical needs, many individuals also purchase Medicare Supplemental or Medigap insurance. This insurance wraps around the Medicare plans to help offset the costs of care not covered by Medicare. The Medicare website (www.medicare.gov) has informative videos to help you through the enrollment process and assist you in identifying Medicare Supplemental or Medigap insurance plan options in your

location. Some employers offer health care plans to their retirees that may serve as Medicare Supplemental insurance; check with the Human Resources Department. https://www.medicare.gov/basics/get-started-with-medicare/medicare-basics

Medicare Advantage Plans are Medicare's version of an **HMO**. These usually provide medical, dental, and vision coverage but are unavailable in all areas. Enter your zip code on the Medicare website to see what is available in your location.

10. Short-term insurance plans – "Short-term health insurance" is sometimes called "term health insurance." Both phrases refer to limited-duration medical plans offering 180 days or less coverage. After that time, an enrollee must apply for new coverage. With these plans, there are lifetime claims maximums, pre-existing conditions are excluded, and you have to be approved for coverage. These plans are good for short-term situations when you have lost coverage and need insurance coverage until the next enrollment period. Comparison shop to be sure it offers the types of services you may need.

The Consolidated Omnibus Budget Reconciliation Act (COBRA) is a law that requires employers and their group health plans to provide temporary continuation of group health coverage that otherwise might be terminated when an employee leaves that employer. It provides 180 days of coverage, and the employee is required to pay the full premium rate (there is no employer contribution). Talk with the Human Resources department to find out more. You have 30 days after termination to inform the provider of your intent to keep your health insurance.

Health Care Sharing Ministries (HCSMs) – HCSMs are comprised of thousands of members who come together and agree to share the cost of all members' medical bills. The Sharing Ministries do not offer insurance, which is a legally binding contract. They are independent organizations that facilitate the process of collecting the monthly share (similar to a premium) and distribute reimbursement to members. There is a personal responsibility amount per incident (similar to deductibles). The plans enable members to select their own providers and negotiate rates with those providers. The member pays the medical bill and then submits them to the Sharing Ministry organization, and the Ministry then reimburses the member. Members often have common ethical or religious beliefs. Limitations of reimbursement for procedures may be reflected in those ethical or religious beliefs. Often prescription drugs and some procedures that are controversial to the beliefs of the group may be disallowed. Be sure to read coverage information carefully to be sure this type of coverage will meet your health care needs.

Health Insurance Options for Employers Who Want to Help Cover Their Employees

1. The Small Business Health Options Program (SHOP) is for small employers wanting to provide their employees' health and/or dental insurance. These options are available through the Health Insurance Marketplace in each state. Your farm business must have 1 to 50 employees to purchase SHOP insurance. You may be eligible for tax credits that will help offset the cost of providing insurance. SHOP insurance gives choice and flexibility because you can offer your employees one plan or let them choose from multiple plans; offer only

health coverage, only dental coverage, or both; choose how much you pay toward your employees' premiums and whether to offer coverage to their dependents; and decide how long new employees must wait before enrolling. Find out more at healthcare.gov.

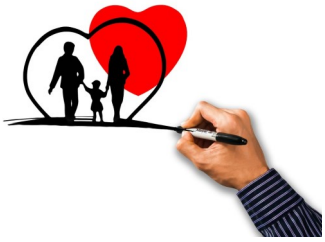
2. Agent/Broker – Independent insurance agents/ brokers can help you identify a plan that best suits your situation and the number of employees you want to cover.

3. Health Reimbursement Accounts (HRAs) – An HRA is used as an employee benefit by encouraging employees to purchase health insurance individually. It is an IRS-approved, tax-advantaged health benefit plan that reimburses employees for out-of-pocket medical expenses and individual health insurance premiums. The HRA is 100 percent funded by the employer. The terms of these arrangements can provide funds to pay for medical expenses until the funds are exhausted. The contribution amount per employee is set by the employer and can be used for premiums, deductibles, copayments, coinsurance, and other IRS-qualified medical expenses. Contributions are tax deductible by the employers but are not considered taxable income for employees. IRS rules determine who can be covered by an HRA. For more information, consult IRS Publication 969 at https://www.irs.gov/forms-pubs/about-publication-969. The two types of HRAs are described in more detail on page 4.

   In a sole proprietor operation, you can set up an HRA for yourself and your family. For businesses with up to 49 employees, consider establishing a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) for all the employees in your operation. As described above, the operation sets an allowance, and employees submit their medical expenses for reimbursement. To get the income tax advantages offered by the QSEHRA, employees must have access to insurance plans that meet the minimum essential coverage (MEC) as set forth by the Affordable Care Act.

4. Additional Income – While not a direct health insurance option, one strategy to help employees purchase health insurance is for employers to pay a higher salary to help employees pay for independent health insurance coverage. The major downside to this option is an employer can't require employees to purchase insurance with this additional income.

Comparing Plans - Tools You Can Use



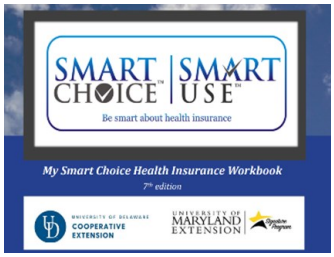
No matter where you get your health care coverage, comparing plans will help you choose a plan that meets your health care needs and better understand the costs. You should consider the types of care needed (medical, dental, vision, prescription drug, and/or long-term care) and for whom you need coverage (self, family, dependents, and employees). As you review the costs, consider the fixed costs of the premium, deductible, and **out-of-pocket maximum,** as well as the more flexible copayment and coinsurance costs that occur when you use health care services. Understanding what the plans offer and using a tool to compare will help you make the best choice. Here are two tools to help you:

Summary of Benefits and Coverage

Comparing plans can be a little tricky but each health insurance plan offered by a health insurance company is required to offer a **Summary of Benefits and Coverage** document. This document provides some of the basic information in a standardized format so you can easily compare plans. This includes the deductible, out-of-pocket maximum, copayment, coinsurance amounts, and descriptions of the types of health insurance services that will be covered. The summary also presents two standardized scenarios so that you can compare your out-of-pocket costs (excluding premium) across plans. The document helps you compare the plans and better understand the costs and coverage. Be sure

the Summary of Benefits and Coverage you are reading represents the plan you are comparing. Because of the way plans are titled, it can be confusing. Contact the insurance company that provides the plan to access this information; it is probably on their website.

The My Smart Choice Workbook



The *My Smart Choice Health Insurance Workbook*™ was created by the University of Delaware Cooperative Extension and the University of Maryland Extension as a tool to help you determine your health care needs. The workbook can help you estimate costs for plans you are considering based on how you use health care services. The workbook provides background information and worksheets to help assess needs and calculate costs for up to three different plans at a time. The workbook can be found at https://go.umd.edu/insure-consumer-resources.

The two-page Health Care Insurance Decision Matrix (Appendix A) will help you organize your comparison of up to three plans and estimate costs between plans for yourself and your employees. This is a simplified version of the My Smart Choice Workbook.

Summary

As risk managers, farm operators need to consider themselves, their families, and the people who work with them as important resources supporting the success of their farm. Their health affects the current financial well-being and vitality of the operation.

There are many health insurance options. You need to compare them to determine which offers the right coverage for you, your family, and/or your employees. There are many financial considerations, including how to cover the cost and which financial resource - farm or home - should be financially responsible for paying for this important risk management tool.

Resources

Insuring Your Health – Available at: https://extension.umd.edu/insure. Developed by University of Maryland Extension with support from University of Delaware Cooperative Extension, this website provides information and tools to help you choose and use your insurance wisely.

www.healthcare.gov – this website from the United States government provides a wealth of health care information. It can help you find local health insurance coverage through government programs and can link you to local Navigators or local certified Agents.

www.medicare.gov – this U.S. government website provides information about the Medicare program and can help you determine the Medicare supplemental policies available in your location.

www.irs.gov/forms-pubs/about-publication-969 – IRS Publication 969 provides information about health savings accounts and other tax-favored health plans.

www.irs.gov/forms-pubs/about-publication-502 – IRS Publication 502 provides information about medical and dental expenses.

www.irs.gov/forms-pubs/guide-to-business-expense-resources – IRS Publication Guide to Business Expense Resource

References

Crane, L, Gantz, G, Isaacs, S., Jose, D. & Sharp, R. (2013). *Introduction to Risk Management*. Found at https://extensionrme.org/Pubs/Introduction-to-Risk-Management-ENGLISH.pdf

Internal Revenue Service (IRS) Publication 969 (2023), *Health Savings Accounts and Other Tax Favored Health Plans*. https://www.irs.gov/publications/p969

Internal Revenue Service (IRS) (2018). *Affordable Care Act Tax Provisions for Employers*. https://www.irs.gov/affordable-care-act/affordable-care-act-tax-provisions-for-employers1

Internal Revenue Service (IRS) (2018), *Employer Health Care Arrangements*. https://www.irs.gov/affordable-care-act/employer-health-care-arrangements

Internal Revenue Service (IRS) (2023). *S Corporation Compensation and Medical Insurance Issues*. Found at https://www.irs.gov/businesses/small-businesses-self-employed/s-corporation-compensation-and-medical-insurance-issues

Internal Revenue Service (IRS) Publication 225 (2023). *Farmer's Tax Guide*. https://www.irs.gov/publications/p225

Internal Revenue Service (IRS) Publication 535 (2023). *Business Expenses*. https://www.irs.gov/pub/irs-pdf/p535.pdf

Newhall, A. & Goeringer, P. (2022). *Using a Business Organization Structure to Limit Your Farm's Liability*. https://extension.umd.edu/resource/using-business-organization-structure-limit-your-farms-liability-eb-422/

Norris, L. (2023). *Self-employed health insurance deduction*. https://www.healthinsurance.org/obamacare/self-employed-health-insurance-deduction/

Thorkildsen, Jake. "How Healthcare Sharing Programs Compare to Traditional Health Insurance." Nerds Eye View at Kitces.com, Michael Kitces, March 21, 2018, https://www.kitces.com/blog/healthcare-sharing-program-review-chm-medicare-lhs-samaritan-health-share-plans/

U.S. Department of Agriculture, Economic Research Service. (2021). *Farm Household Well-being: Health Insurance Coverage*, December 1, 2021. https://www.ers.usda.gov/topics/farm-economy/farm-household-well-being/health-insurance-coverage/

All images in this publication are from pixabay.com.

Originally developed by Maria Pippidis, University of Delaware Cooperative Extension. Many thanks to Jesse Ketterman and Bonnie Braun, University of Maryland Extension, Mia Russell, Wells Fargo Foundation, and Adam Kantrovich, Clemson University who helped to review and improve the original document.

This material is based upon work supported by USDA/NIFA under award number 2021-70027-34693.

USDA National Institute of Food and Agriculture
U.S. DEPARTMENT OF AGRICULTURE

NORTHEAST EXTENSION RISK MANAGEMENT EDUCATION

When citing this publication, please use the suggested format below:

Ketterman, J., Goeringer, P., Pippidis, M., & Bruce, N., (2024). *Health Care Insurance Options for Farm Business Operations* (FS-2024-0706), University of Maryland Extension. go.umd.edu/FS-2024-0706

JESSE KETTERMAN
Educator, University of Maryland Extension
jketterm@umd.edu

PAUL GOERINGER
Legal Specialist, University of Maryland Extension
lgoering@umd.edu

MARIA PIPPIDIS
Extension Educator, University of Delaware Cooperative Extension

NATE BRUCE
Extension Educator, University of Delaware Cooperative Extension
nsbruce@udel.edu

This publication, *Health Care Insurance Options for Farm Business Operations* (FS-2024-0706), is a part of a collection produced by the University of Maryland Extension within the College of Agriculture and Natural Resources.

The information presented has met UME peer-review standards, including internal and external technical review. For help accessing this or any UME publication contact: itaccessibility@umd.edu

For more information on this and other topics, visit the University of Maryland Extension website at extension.umd.edu

Appendix A: Health Care Insurance Decision Matrix

Use this tool to compare health insurance plans. After selecting 3 plans to compare, identify the important characteristics for each plan using the chart below. On the next page, compare costs to help narrow your decision.

Plan Comparison	Option 1 Plan Name:	Option 2 Plan Name:	Option 3 Plan Name:
What type of insurance plan? EPO-Exclusive Provider Organization HMO-Health Maintenance Organization POS-Point of Service PPO-Preferred Provider Organization	○ EPO ○ HMO ○ POS ○ PPO	○ EPO ○ HMO ○ POS ○ PPO	○ EPO ○ HMO ○ POS ○ PPO
What is the health plan category?	○ Employer ○ Marketplace ○ Bronze ○ Silver ○ Gold ○ Platinum ○ Agent/ Broker ○ Association ○ Medicaid ○ CHIP ○ Medicare ○ Advantage ○ Medigap ○ Health Sharing ○ SHOP	○ Employer ○ Marketplace ○ Bronze ○ Silver ○ Gold ○ Platinum ○ Agent/ Broker ○ Association ○ Medicaid ○ CHIP ○ Medicare ○ Advantage ○ Medigap ○ Health Sharing ○ SHOP	○ Employer ○ Marketplace ○ Bronze ○ Silver ○ Gold ○ Platinum ○ Agent/ Broker ○ Association ○ Medicaid ○ CHIP ○ Medicare ○ Advantage ○ Medigap ○ Health Sharing ○ SHOP
What is the coinsurance for services?	______ %	______%	______ %
Are ALL my medical providers in the plan's network? (Look on the insurance company's web site or call to find out.)	○ Yes ○ No	○ Yes ○ No	○ Yes ○ No
Can I choose my health care providers?	○ Yes ○ No	○ Yes ○ No	○ Yes ○ No
Do I need referrals for specialists?	○ Yes ○ No	○ Yes ○ No	○ Yes ○ No
Do I need preauthorization for medical procedures?	○ Yes ○ No	○ Yes ○ No	○ Yes ○ No
Does this plan accept the provider's billing, or do I pay upfront and get the plan to reimburse me?	○ Accept ○ Pay up front	○ Accept ○ Pay up front	○ Accept ○ Pay up front

Health Care Insurance Cost Comparison

	Option 1:		Option 2:		Option 3:	
	Yearly Cost	Monthly Cost (Yearly Cost divided by 12)	Yearly Cost	Monthly Cost (Yearly Cost divided by 12)	Yearly Cost	Monthly Cost (Yearly Cost divided by 12)
Insurance Premium	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____
Prescription Premium	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____
Vision Premium	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____
Dental Premium	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____
Reimbursement Accounts	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____
Total Cost	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____	Employer $ _____ Employee $ _____

Now that you have compared characteristics and costs of the plans, which plan would you choose?

What are your next steps?

Appendix B: Important Words to Know

Health insurance is confusing. It's like another language. To be a smart consumer you need to understand the language. This list is digested from the complete Important Words to Know found here: https://extension.umd.edu/programs/family-consumer-sciences/health-insurance-literacy/counsumer-resources.

GENERAL

Health Insurance Marketplace/Exchange	Organizations established to facilitate the purchase of health insurance in each state in accordance with Patient Protection and Affordable Care Act. To access health insurance plans through the Marketplace/Exchange, go to www.healthcare.gov and enter your zip code.
Navigator (also known as Assistors)	A person who helps you look for health coverage through the **Health Insurance Marketplace**. Also known as Assistors in some states. Their services are free.
Summary of Benefits and Coverage	Insurance companies and job-based health plans must provide you with 1) a short, plain- language Summary of Benefits and Coverage (SBC) and 2) a uniform glossary of terms used in health coverage and medical care. This information helps you make "apples-to-apples" comparisons when you're looking at plans. The SBC also includes details, called coverage examples, which show you what the plan would cover in 2 common medical situations: diabetes care and childbirth.

COST TERMS

Coinsurance	Your part of the costs of a covered service is usually determined by a percentage of the cost of the allowed amount for the service. You pay this amount once you have met your deductible.
Copayment	A set amount (for example, $20) you pay for a covered service. You pay this amount when you get the service. It can change based on the type of service. You may have to meet your deductible first.
Deductible	The amount you must pay for services before your insurance or plan starts to pay. Only services your plan covers can be used to meet the deductible.
Out-of-Pocket Costs	Your costs for services that are not paid by insurance. This includes deductibles, coinsurance and copayments. It also includes costs for services that are not covered by insurance.
Out-of-Pocket Maximum	The most you pay during a policy period (usually one year) before your health insurance plan pays 100% for covered services. This includes deductibles, coinsurance, copayments, or other charges. It also includes any other cost that is a qualified or allowed expense. This doesn't have to include premiums, balance billing amounts for non-network providers, and other out-of-network costs. It also doesn't include what you pay for non-essential services.
Premium	The amount you pay for your health insurance or plan. You and/or your employer may pay it monthly, quarterly, or yearly.

Cost terms continued...

Qualified Medical Expense	A cost for healthcare services, equipment, or medications. There are many types of medical expenses that qualify. You can find these at: https://www.irs.gov/pub/irs-prior/p502--2023.pdf
Tax Credit or Tax Subsidy for Health Care Premiums	The premium tax credit is a refundable tax credit designed to help eligible individuals and families with low or moderate income afford health insurance purchased through the Health Insurance Marketplace. The size of your tax credit is based on a sliding scale. Those who have a lower income get a larger credit to help cover the cost of their insurance. When you enroll in Marketplace insurance, you can choose to have the Marketplace compute an estimated credit that is paid to your insurance company to lower what you pay for your monthly premiums. Or you can choose to get the entire benefit of the credit when you file your tax return for the year. https://www.healthinsurance.org/ has a subsidy calculator to help you estimate by how much the premiums would be reduced if you purchased insurance through the Marketplace/Exchange.

TYPES OF HEALTH INSURANCE PLANS

High Deductible Health Plan (HDHP)	A plan with a higher deductible than a traditional insurance plan. The monthly premium is usually lower, but you pay more health care costs yourself (the deductible) before the insurance company starts to pay its share. A high deductible plan (HDHP) can be combined with a health savings account (HSA), allowing you to pay for certain medical expenses with money free from federal taxes. Each year, the IRS defines a high deductible health plan as any plan with a certain level of deductible. An HDHP's total yearly out-of-pocket expenses (including deductibles, copayments, and coinsurance) can't be more than a certain amount. This limit doesn't apply to out-of-network services.
Exclusive Provider Organization (EPO)	A managed care plan where services are covered only if you use doctors, specialists, or hospitals in the plan's network (except in an emergency). You would be responsible for all costs if you used out-of-network services. Usually, you do not need a referral to see a specialist.
Health Maintenance Organization (HMO)	A type of health insurance plan that usually limits coverage to care from doctors who work for or contract with the HMO. It generally won't cover out-of-network care except in an emergency. An HMO may require you to live or work in its service area to be eligible for coverage. HMOs often provide integrated care and focus on prevention and wellness.
Point of Service (POS)	A type of plan where you pay less if you use doctors, hospitals, and other health care providers that belong to the plan's network. POS plans require you to get a referral from your primary care doctor to see a specialist.

Types of health insurance plans continued...

Preferred Provider Organization (PPO)	A type of health plan where you pay less if you use providers in the plan's network. You do not need a referral to see a specialist. You can use doctors, hospitals, and providers outside of the network without a referral for an additional cost.

TYPES OF MEDICAL SAVINGS ACCOUNT

Health Reimbursement Accounts	Health Reimbursement Accounts (HRAs) are employer-funded group health plans from which employees are reimbursed tax-free for qualified medical expenses up to a fixed dollar amount per year. Unused amounts may be rolled over to be used in subsequent years. The employer funds and owns the account. Health Reimbursement Accounts are sometimes called Health Reimbursement Arrangements. An employer can limit their HRA by establishing a limit on the contributions they will make for employees. HRA are initiated by an employer and serviced by a third-party administrator or plan service provider. Funds contributed to an HRA by an employer are property of an employer and unused contributions cannot be taken by an employee when s/he leaves an employer.
Health Savings Account (HSA)	A type of savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses. By using untaxed dollars in an HSA to pay for deductibles, copayments, coinsurance, and some other expenses, you can lower your overall health care costs. An HSA can be used only if you have a **High Deductible Health Plan (HDHP)** — generally any health plan (including a Marketplace plan) with a deductible of at least $1,350 for an individual or $2,700 for a family. When you view plans in the Marketplace, you can see if they're "HSA-eligible." HSA funds roll over year to year if you don't spend them. An HSA may earn interest, which is not taxable. Some health insurance companies offer HSAs for their high deductible plans. Check with your company. You can also open an HSA through some banks and other financial institutions.
Flexible Spending Accounts	An arrangement through your employer that lets you pay for many out-of-pocket medical expenses with tax-free dollars. Allowed expenses include insurance copayments and deductibles, qualified prescription drugs, insulin, and medical devices. You decide how much to put in an FSA, up to a limit set by your employer. You aren't taxed on this money. If money is left at the end of the year, the employer can offer one of two options (not both): 1) You get 2.5 more months to spend the left-over money or 2) You can carry over up to $500 to spend the next plan year. Flexible Spending Accounts are sometimes called Flexible Spending Arrangements.