



# Why Small Business Benefits Trust Plans Matter: An Argument for Association Health Plans



**T**he small business community is a non-partisan place. Democrats, Republicans, Independents, Libertarians, and any other flavor of political outlook all have a stake in small business success. Why so much interest? Because the six million small businesses (2-100 employees) in the U.S. provide over 40 million jobs, representing 34% of the entire U.S. workforce.<sup>1</sup> Yet this engine of the U.S. economy and source of so much pride and progress in innovation and entrepreneurship has a major challenge: the ability to offer cost-effective, useful benefits to employees and their families.

While almost all (99%) large firms offer benefits to their employees, only 50% of small businesses offer benefits.<sup>2</sup> This effectively means that over 20 million employees do not have access to employer-based medical coverage, forcing them to either buy coverage in the largely dysfunctional individual medical insurance market, through the federal or state exchanges or worse, go without any insurance at all.

## **Beyond Healthcare**

Access to healthcare is not the only problem for small businesses. Over 90% of disability insurance that covers loss of income if an employee is injured or becomes ill is purchased through employer-provided benefits programs. If the employer does not offer disability insurance, studies show it is

extremely unlikely that employees will buy disability insurance on their own. Only 60% of small businesses offer disability insurance benefits, which means that at least 40% of 40 million small business employees are highly likely NOT to have any long-term disability coverage (as many as 16M employees). Why does this matter? There is a 30% chance a 35- to 65-year-old will be disabled for at least 90 days during their prime working years. Even worse, an estimated one in seven of those disabled will be disabled for more than five years. So, a substantial percentage of workers in small businesses cannot protect their most important asset—their ability to work and maintain an income, exposing themselves and their families to major financial hardships, even bankruptcy.

In addition to traditional benefits, small businesses are also disadvantaged in offering retirement savings options for their employees. Only 30% of small businesses offer any retirement savings programs (401k, IRA) for their employees; even those with access to retirement savings programs still are challenged. Overall, over 70% of Americans are not saving enough for retirement. Even those employees in businesses with work-provided retirement savings programs are not saving enough for retirement. Some estimates suggest that as much as 70% of U.S. workers will retire with less than \$10,000 in savings!<sup>3</sup> A lack of employer-provided retirement options can make saving for retirement that much harder for 34% of the U.S. workforce.

While research shows that small

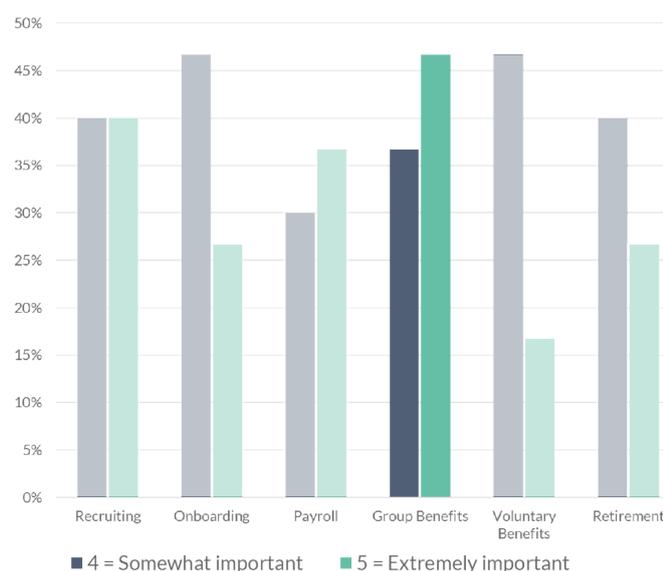
businesses recognize the (extreme) importance of group benefits, there are multiple reasons why small firms struggle to offer benefits. Cost is one major factor. However, many times absence of viable options, the complexity associated with sourcing and managing benefits, or lack of time by the small business owner to manage the process can all be primary drivers.

### Limited Purpose Trusts & AHP

Decisely, a specialty benefits and HR solutions technology firm, was founded on the principle that small businesses should have access to the same comprehensive benefit plans as large corporations. It is the reason we exist. Decisely supports small businesses in their efforts to keep healthy employees and a healthy bottom line.

One of the ways Decisely helps small businesses is through the formation of collective sourcing solutions for more cost-effective and expanded benefits across multiple small businesses. There has been buzz in the news about Association Health Plans and impending moves by the Department of Labor to expand the ability of

### Small Businesses have a need for Benefits & HR Services



Source: Decisely survey of 1,000 member association

<sup>3</sup>Source: CNBC "[Here's how many Americans have nothing at all saved for retirement](#)"

Associations (and Franchisees) to band together in purchasing pools to source benefits. The idea of collective sourcing of benefits, however, is not new. The DOL allows today those Associations with strong common business interests to band together in trusts (Voluntary Employee Benefits Associations and Multiple Employer Welfare Associations) as long as they meet a few conditions:

1. *Must Be Same Trade/Business Interests (ex. Business owner/operator not "Chamber of Commerce" unrelated entities)*
2. *For Employees only (not 1099 contractors)*
3. *Employer Members Control Business Decisions (not broker or insurer owned)*
4. *AHP/VEBA must be created for MORE than just group healthcare purchasing*

New Association Health Plan regulations, when (and if) released, are expected to expand the ability of Associations (and Franchises) to include the aggregation of unrelated businesses ("Chamber of Commerce" programs) and contractors. Why is this so exciting for small businesses? For example: Decisely, with a Property/Casualty broker partner, launched a Trust program for collective sourcing of medical benefits (including dental and vision), and paired this collective sourcing with other nationally negotiated non-medical benefits

for a 10,000+ small business franchise operator. The positive impact on these small businesses is telling, and strikes at the heart of the strong business reasons why collective purchasing/aggregation of benefits sourcing is so good for small businesses, insurance carriers, and, we would argue, the national health of small business.

We surveyed the first big set of customers in this national Trust program, and here is what we found:



*...a substantial percentage of workers in small businesses can't protect their most important asset—their ability to work and maintain an income.*

**Saved Big \$:** *On average, these small businesses (average 18 full time employees each), saved over 23% in healthcare insurance versus what they had before. The cost savings per employee was over \$1,000! In addition to real savings, the national insurer-partner on the program included more robust network coverage, additional wellness and pharmacy benefits versus typical small business insurance, adding additional savings to the Employers and broader benefits to their Employees.*

**More Companies Bought Benefits for the First Time:** *35% of these small businesses obtained group benefits for the first time as the cost of the all-important health benefits dropped, and ability to access benefits through the national program was made*

*much simpler! That is good news obviously for both the businesses buying, and the insurance carrier, who is essentially creating (and accessing) a new market of customers.*

### **Expanded Benefit Offerings, with Broader Coverage:**

*36% of these businesses who previously had offered medical coverage added new benefits for their employees for the first time, including Dental, Vision, Life and Disability. Nationally, the trust was able to negotiate better “minimum participation” requirements than it would have been able to source on its own, both for Medical insurance and other non-medical insurance. For example, most of these small businesses were too small to qualify to offer disability, but under this national program, disability was offered to all companies with a minimum of two participants.*

Small business truly is the backbone of the US economy, crossing every boundary of race, religion, politics and socio-economic status. For the good of the nation and our business health, we all want employees and their families to have cost-effective and helpful benefits. Banding small businesses together collectively to source benefits makes our small business community stronger. It lowers cost and broadens access to benefits for employees, thereby reducing the uninsured, and helps businesses both save time and money. Today six million small businesses buy individually, tomorrow they will buy collectively. ✨



### **About Chris Duncan**

Chris Duncan is the EVP & COO of Decisely, an insurtech firm specializing in small business solutions for Brokers, Associations and Franchises. He is also the former Risk Manager/Head of Security for a major national franchisee brand in the Quick Service Restaurant Industry.

### **About Decisely**

Decisely is a Benefits brokerage and HR services firm specializing in integrated technology solutions for Small Businesses. Supported by licensed benefit brokers and industry professionals, the Decisely solution provides the right mix of healthcare benefits, recruiting, HR admin, compliance, and payroll on one easy-to-use platform. For more information visit: [Decisely.com](https://Decisely.com).

