



Starting Up: Solo Health Care

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THE DECISION TO work for yourself or someone else often boils down to one issue: health care.

While employees generally pick up the tab for only a small portion of their own health insurance, most business owners get stuck with the entire bill. And that's no small change. In 2007, for example, the average annual premium for an employer-sponsored plan amounted to \$12,106 for families and \$4,479 for individuals, according to the most recent employer benefits survey from Kaiser Family Foundation in Menlo Park, Calif.

To limit their costs, entrepreneurs (if they're lucky) latch on to their spouse or partner's employer-sponsored health insurance. Others make their premiums more manageable by opting for plans with high deductibles, which typically only cover catastrophic illnesses. Still others — particularly start-up entrepreneurs — simply forgo coverage entirely and plow everything back into the business, a risky strategy that could backfire if they become ill or injured.

These daunting circumstances discourage many would-be business owners from taking the plunge. However, depending on what state you live in and which type of plan you select, getting health care on your own may not be such a stretch after all.

Here are some solo health-care options:

Coverage Through Cobra

For start-up entrepreneurs unsure about whether or not their business will succeed, it may make sense to extend your coverage via the federal Consolidated Omnibus Budget Reconciliation Act, or Cobra, says Matt Tasse, an independent insurance broker in Portland, Maine. Through Cobra, previously insured employees may extend their coverage for up to 18 months after leaving a job. While the price for Cobra coverage (including a 2% administrative fee) usually rings in at around \$400 a month for individuals and \$1,000 a month for families, it may be particularly attractive for people with existing medical conditions, as they can be denied coverage in most states, Tasse says. (See related sidebar for more information). For state-by-state coverage offerings visit [Georgetown University's healthinsuranceinfo.net](http://GeorgetownUniversity'shealthinsuranceinfo.net).

"Group Of One" Plans

If a Cobra policy or a similar state-administered offering isn't an option, sole proprietors in states including Delaware, Maine and New Hampshire can form "group of one" plans, says Gary Claxton, vice president of the Kaiser Foundation. While many states require a group to contain at least two people, in these states single business owners are guaranteed access to health insurance that is also sold to small employers. The benefit of group plans is that you may receive lower premiums, as many policy holders typically have more negotiating muscle than a single person.

It's also important to note some states place restrictions on when sole proprietors can sign up for group coverage, Claxton says. In New Hampshire, for example, self-employed individuals may purchase group coverage in March and September each year, while in Florida open enrollment takes place in August.

In about a dozen other states, entrepreneurs can join group health insurance plans via industry and professional associations and local chambers of commerce. For more on low-cost health insurance offerings for small businesses, [click here](#).

Private Insurance

For those living in most other states, including Virginia, Kansas, Maryland and the District of Columbia, joining group plans when you're solo isn't an option. Instead, these entrepreneurs can only elect individual coverage via the private health-care market.

That's what then-50-year-old Janet Acklam did 10 years ago when she left the corporate world and started her own market research consultancy in Walnut Creek, Calif. She and her husband opted for individual coverage — and have dealt with sticker shock on many occasions.

Acklam and her husband have been forced to raise their deductibles several times to keep up with premiums, which increase every year and each time the couple crosses a new age bracket. Today, they each have \$5,000 deductibles and still pay nearly \$15,000 a year in insurance premiums. Still the coverage is worth the price, Acklam says. "If one of us got seriously ill, we'd run the risk of losing everything."

While expensive, individual coverage does provide many benefits, including the ability to customize policies to your individual health situation. And, you can deduct 100% of the premium from federal income taxes.

Health Savings Accounts

An HSA is essentially a savings account that allows sole proprietors with high-deductible health insurance plans to use pretax dollars to pay for medical expenses such as medications and routine office visits.

HSAs may not be appropriate for older individuals or people with chronic illnesses, but an entrepreneur who's young and healthy might want to consider one, says Mike Donahoe, president of CBIZ M.T. Donahoe & Associates in Columbia, Md. And since the funds within HSAs can accumulate tax free indefinitely, younger people who have longer to contribute may find such an account to be particularly beneficial.

To get an HSA, the minimum deductible amount for individuals is \$1,100 and \$2,200 for families. The maximum contribution this year is \$2,900 for individuals and \$5,800 for families. If you're 55 and older, a catch-up provision allows eligible account holders to contribute an extra \$900. For a primer on HSAs, check HSAFinder.com.