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Small businesses enhancing health benefits to gain recruiting edge

Many small employers are covering their employees by using individual coverage health reimbursement arrangements (ICHRA).

By **Alan Goforth** | January 28, 2022



Beyond competitive wages, health insurance is a signal that employers will invest in their workforce.

Small businesses have increased wages to recruit and retain employees during the ongoing worker shortage. As the competition for talent shows no sign of easing, many now are turning to enhanced health benefits.

The restaurant industry, particularly small independent restaurants, has long fought to attract and retain workers, said Clinton Wolf, senior vice president for health and insurance services at the National Restaurant Association. "Over the last few months, I've certainly seen more small restaurants coming in asking about what they can do with their health benefits," he told Bloomberg Law (<https://news.bloomberglaw.com/health-law-and-business/desperate-for-workers-small-companies-pump-up-health-coverage>).

Offering health benefits has long been an issue for small businesses, particularly as costs have continued to climb in recent years. But in the current labor market

(<https://www.benefitspro.com/sites/benefitspro/2022/01/27/strategies-to-attract-and-retain-talent-in-2022s-tight-labor-market/>), it's a burden more employers have felt the need to bear.

Lower-wage (<https://www.benefitspro.com/sites/benefitspro/2022/01/12/cost-of-premiums-deductibles-are-an-increasing-burden-on-working-americans/>)workers, Blacks, Asian-Americans and people in industries such as restaurants are "much more likely to think about resigning than others," said Melissa Swift, leader of professional services firm Mercer's transformation practice for the United States and Canada. "When we looked at why people would stay or go, No. 1 is still pay and benefits."

Hourly wages are increasing, said Tracy Watts, senior partner and national leader for U.S. health policy at Mercer. For low-wage workers, "All of a sudden you have a lot of job choices at the same hourly wage," she said. Adding health benefits makes it an easier decision for workers when considering job offers.

Many small employers are covering their employees by using individual coverage health reimbursement arrangements (<https://www.benefitspro.com/sites/benefitspro/2021/12/01/the-many-forces-shaping-todays-employee-benefits-conversation-and-why-ichras-are-the-answer/>)(ICHRA's). Blue Cross Blue Shield plans, a major source of coverage for small businesses, are seeing increased activity. The insurer's small-employer members dropped from 12.6 million in the first quarter of 2020 to 12.2 million in the first quarter of 2021, said Kris Haltmeyer, vice president of legislative and regulatory policy at the Blue Cross Blue Shield Association. However, small employer numbers are ticking up and have reached June 2020 levels, he said.

Beyond wages, health insurance is a signal that employers will invest in their workforce, said Jack Hooper, co-founder and CEO of Take Command in Dallas, which administers health reimbursement accounts. "Benefits makes it feel like you care as an employer, and that's what creates that sticky retention that they want," he said.

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