



# **Creating a Benefits Package to Fit Your Business**

JUSTWORKS.



**BENEFITS &  
PERKS**



**HIRING &  
ONBOARDING**



**MANAGING  
YOUR TEAM**



**KEEPING  
COMPLIANT**



**RUNNING A  
BUSINESS 101**

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## INTRODUCTION

# Why Do Benefits Matter?

**A competitive salary is great, but increasingly people are looking for a more holistic offering from employers. Money isn't the only motivating factor. In fact, some people are willing to take less pay in exchange for better benefits and perks.**

A Fractl study asked people if they would give “heavy consideration” or “some consideration” to certain benefits when choosing between a high-paying job and a lower-paying **job with better benefits**. Respondents ranked better health, **dental, and vision insurance** at the top of their wish list, with 88% saying they would consider a lower paying job if it offered those benefits. Not far behind, people also ranked more flexible hours and more vacation time highly.

To back up those numbers, an **Aflac Happiness Report** found that almost a third of small business employees say that finding affordable healthcare coverage is the greatest challenge when working at a small business.



**88%**

would consider a lower-paying job if it offered better health, dental, and vision insurance



**27%**

say finding affordable healthcare coverage is the greatest challenge of working at a small business

If you aren't offering robust benefits to your employees already, it may be time to explore your options. Not only can this give you a competitive edge in **recruiting top talent**, it will help to keep them happy once they're on board.

With these statistics in mind, it's hard to deny the importance of offering a quality benefits package to your team. But how do you offer a comprehensive benefits package that doesn't break the bank? Let's dive in.





PART ONE

# Benefits Overview

# Which Benefits Employees Expect Most

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According to research conducted by Glassdoor, the top five benefits and perks that matter most to people include:



Health insurance  
(medical, dental, and vision)



Paid sick days



Vacation/PTO



Performance bonuses



401(k) plan, retirement plan,  
or pension

Offering a benefits package is also a potent tool for recruiting and retaining the best talent, which can be a huge challenge for many businesses. In fact, surveys have shown time and again that employees are often **willing to take a pay cut for a quality benefits package**.

A quality benefits package also **increases employee morale and decreases turnover**. Studies have shown that the hiring process can **cost companies a significant amount of money** each year. So by retaining your employees for a longer period of time, you'll actually be saving money in the long run.

# What a Benefits Package Can Look Like

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**Benefits are non-wage compensation in addition to an employee's salary, and cover basic needs. Health insurance, pre-tax transit assistance, stock options, and 401(k)s are some of the benefits you can consider for your team.**

Company offerings vary, but a benefits package might include access to:



Medical insurance



Dental insurance



Vision insurance



Paid time off (PTO)



Retirement plan or 401(k)



Stock options

In addition, businesses can offer their employees additional benefits, such as:



Health savings account (HSA)



Flexible spending account (FSA)



Commuter benefits



Gym memberships or discounts





While this may seem like a lot, it's worth noting that you don't have to source all these vendors on your own. Some third-party providers, including Justworks, can help out with access to many of these ancillary benefits, giving your team access to a suite of benefits all in one place.

Another aspect of a benefits package to consider are the perks you can provide as an employer. While perks generally aren't as important to people as health insurance or other benefits, they can do a lot to develop your company culture and boost employee happiness.

The perks you offer will likely depend on your budget, but there's a lot of room to come up with creative ideas that don't break the bank. Some common perks include:



Standing desks



Free office snacks



Company retreats



Tuition reimbursements



Summer Fridays





PART TWO

# **Navigating the Responsibilities and Requirements of Offering Benefits**





**Various federal, state, and local laws require that certain minimum benefits be provided to employees. The legally required benefits you need to offer largely depend on your company size and location, so you'll always want to check applicable state and local laws to make sure you're compliant.**

That said, here are a few federal legal provisions you should have on your radar.

### The Affordable Care Act for Companies with **Fewer Than 50 Full-Time Employees**

If you have fewer than 50 full-time and full-time equivalent employees (FTEs) on average during the prior year, the ACA does not require you to offer healthcare benefits.

However, it does offer an incentive for you to do so. You may be eligible for the **Small Business Health Care Tax Credit** if you:

- ✓ Have fewer than 25 full-time employees,
- ✓ Pay average annual wages to your employees for the year of less than \$50,000 per full-time employee, and
- ✓ Cover at least 50% of your full-time employees' health insurance premium costs



Generally, a full-time employee is defined as an employee who works an average of at least 30 hours per week, or 130 hours per month.

But take note: the hours your part-time employees (PTEs) work can **add up to equal to those of an full-time employee**. These PTEs, in combination, may be Full-Time Equivalents (FTE). To calculate whether a number of PTEs aggregated together count as FTEs, **divide PTEs' aggregated monthly hours** (not to exceed 120 per PTE) by 120.

### Calculating Full-time Employee Equivalents

You have four PTEs who each work 60 hours during a particular month.

$$\begin{array}{ccccccc} 4 & \times & 60 & = & 240 \\ \text{Part-time employees (PTEs)} & & \text{Hours worked during month} & & \text{Hours} \\ & \downarrow & & & \\ 240 & \div & 120 & = & 2 \\ \text{Hours} & & & & \text{Full-time equivalent employees} \end{array}$$

These four PTEs would count as two FTEs for definition purposes of the ACA for this particular month.



## The Affordable Care Act for Companies with **More Than 50 Full-Time Employees**

If you have 50 or more full-time employees on average during the prior year, you are subject to the **Employer Mandate**. The Employer Mandate requires you to either offer minimum value health coverage or pay a penalty.

Minimum value health coverage must meet federal government standards. For example, federal government standards require coverage on pre-existing conditions and removing caps on lifetime benefits.

### **Other Benefits to Be Aware of**

- ❗ **Unemployment insurance**
- ❗ **Workers' compensation**
- ❗ **Family and medical leave**
- ❗ Paid sick leave (may be required under applicable state or local law)
- ❗ Commuter benefits (may be required under applicable state or local law)





### PART THREE

# Choosing a Benefits Package and Provider



# Factors to Consider Before Choosing a Benefits Package

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**Several factors go into choosing the benefits package your company will offer to employees. Here are some major considerations:**

## **How Much it Costs You**

As the employer, you'll foot the tab for much of the health coverage costs. Money is important, but that doesn't mean you should necessarily choose the cheapest plan. A quality benefits package that gives your employees richer options can lead to higher retention and employee happiness — which also means lower employee acquisition costs and more profits for your company in the long run.

## **How Much It Costs Your Employees**

In general, you and your team can choose from either low-deductible or high-deductible plans. High-deductible plans cost your employees little up front but more when they need medical services. These plans usually cater to a younger crowd who are less likely to require much medical care.

Low-deductible plans cost employees more up front but cover more visit and testing costs. These plans usually appeal to an older demographic who have more healthcare needs.

A deductible is the amount of money an insured person must pay out-of-pocket for covered health services before the carrier begins to pay. After they meet the deductible, they usually continue to pay their copay or coinsurance, up to the out-of-pocket maximum. Typically copays will not apply toward the deductible. Health insurance plans will have a deductible for each individual on a plan, and a combined family deductible.

## Everything Your Benefits Package Covers

Health Maintenance Organization (HMOs) begin by establishing a network of doctors, hospitals, and other providers. These providers agree to accept payment at a certain lower rates for the services they provide to plan members, which sets costs and keeps them in check.

A Preferred Provider Organization (PPO) has a similar structure at the outset. It offers access to a network of doctors and providers who accept payment at a certain rate for members. However, unlike an HMO, a PPO allows patients to access treatment from providers outside of the network. In other words, members of a PPO can see any doctor they want or visit any hospital, although providers outside of the network will tend to cost more.

You also want to consider what the insurance itself covers. This list is a good start for what you might expect to be covered:

- ✓ Prescription drugs
- ✓ Lab tests
- ✓ Mental health and substance use disorder services
- ✓ Outpatient care: treatment without being admitted to the hospital
- ✓ Inpatient care: treatment you get in the hospital
- ✓ Emergency room visits
- ✓ Preventative services
- ✓ Pediatric services

Although the ACA defines which benefits must be covered for insurance sold through the SHOP (Small Business Health Options Program) marketplace, those rules don't necessarily apply to insurance found through other means.



# How to Select a Benefits Provider

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**Once you determine the benefits you want, the next step is to find the best way to gain access to them. There are a few ways to go about selecting a benefits provider based on your company's time, budget, and objectives.**

## Direct Purchase

Direct purchase is mostly intended for people who are buying insurance individually. Employers can't buy plans in bulk this way, which means employees would have to pick out the plans they want and see whether the company can provide stipends to help pay for the cost of the coverage.

Although employees can customize their plans through this option, it is usually a confusing experience and employees have to use post-tax dollars to pay for their premiums. It also may not be beneficial for employers, in part because if an employer decides to contribute to the employee's premiums, they may end up having to contribute more than with a group health plan.

When it comes to purchasing for a bigger group like a small business, direct purchase quickly becomes a headache. Additionally, because of the ACA, once you hit an average of 50 full-time equivalent employees, your company may be liable for penalties for not offering a group benefit plan in place of individual plans.

## SHOP

For the most part, companies with 50 or fewer FTEs are eligible for the SHOP (Small Business Health Options Program) Marketplace. With the SHOP model, brokers may help you select small group plans through an exchange.

In 2016, however, eligibility numbers expanded in **Colorado, New York, and Washington** for up to 100 employees. Also in order to be eligible in most states, you must **offer insurance to at least 70% of your employees** or have coverage from a different source.



## Broker

Going directly through a broker doesn't have the same eligibility requirements as the SHOP Marketplace. Brokers act as a consultant to your employees by setting up defined contribution allowances and selling them individual policies.

If you aren't eligible for small group health insurance, going through a broker could be the right choice for you. However, some people feel they're priced out of group health insurance, which is when a PEO may be a better fit.

## PEO

PEO stands for Professional Employer Organization. **PEOs are an all-in-one solution for small businesses** that handle payroll, benefits, compliance assistance, and other functions required in running a business.

With a PEO, small businesses are, in effect, grouped together in order to obtain enterprise-level benefits. For example, depending on the state, companies under 50-100 employees have to pay small group prices with healthcare carriers, sometimes up to 30% more than what larger companies pay. Group rates generally reduce overall healthcare costs.

Justworks is a PEO, and we offer access to a wide array of benefits and perks, from full medical plan packages at competitive prices to 401(k)s, Citi Bike memberships, access to same-day appointments with One Medical, and access to consumer advocacy with Health Advocate.





## CONCLUSION

# Justworks Can Help

### **Justworks is a CPEO, or Certified Professional Employer Organization.**

PEOs can help you access medical, dental and vision coverage for your team at affordable rates. By working with a PEO, employees are grouped together with the rest of the PEO's co-employees to form one large group. This means that the PEO can provide the employees access to health coverage and rates on par with those of a large corporation, even though they work for a much smaller operation. PEOs also help with different types of benefits administration, such as benefits onboarding and other benefits-related paperwork.

Justworks takes the busyness out of growing a business and alleviates the unknown. We've combined a simple platform and exceptional 24/7 customer service with the power of a PEO, so all teams have more time to focus on what matters.

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