

Small Business and The Cafeteria Plan

The health care situation in our country presents problems for employees of small businesses. Many small businesses simply cannot provide any health insurance coverage for their employees; others are only able to pay a portion of the premiums. As in past years, health insurance premiums continue to rise for small business; increases in premiums for small businesses this year are often in the 15% to 25% range. Many small businesses survive on the margin and are careful to provide only those employee benefits that the company can afford. Because of the increasingly high cost of benefits, small businesses are often reluctant to provide life insurance, disability insurance and dependent care assistance to their employees. At the cost of benefits increases, small business becomes less able to afford these benefits for its employees. Yet providing these benefits through the private sector and the work place is a critical social concern for this country, particularly as the population ages.

Unless assistance is forthcoming, small businesses may be unable to provide these significant benefits for their employees. An employee benefit delivery system which could alleviate some of the additional costs in this area and significantly increase the availability of health insurance, disability insurance and dependent care assistance is the cafeteria plan. As efforts continue to increase employee benefits for small business employees, the cafeteria plan should not be overlooked.

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