

**RECOMMENDATION TO THE ADVISORY TASK FORCE FROM  
THE SMALL EMPLOYER TECHNICAL WORK GROUP**

**Background:** The issue of cost has been identified as one of the primary areas of concern by small employers; i.e. how do I manage the cost of providing insurance to my employees. In a recent presentation to the SETWG by Professors Amy Monahan and Daniel Schwarcz of the University of Minnesota Law School, the SETWG was informed of ways to lower the cost of coverage to employers by taking advantage of various tax savings. Some key takeaways:

- Employers can contribute to the cost of coverage with tax-free dollars
- Employees can also pay on a pre-tax basis if the employer offers a cafeteria plan
- HRAs may assist but impose compliance requirements
- The rules for both cafeteria plans and HRAs will change post 2014
- There is a current small business tax credit. Take up is not robust
- New tax credit in 2014

**Recommendation:** The Exchange should include information about potential tax savings, tax credit programs or direct employers to such information in its outreach, education and marketing work. In addition, the Exchange should seek to embed in both its operations and technology platforms mechanisms to make it easier for small employers to fully participate in tax-sheltered vehicles, such as:

- Offer to enroll the employer in a cafeteria plan
- Identify agents/brokers who have expertise in the use of HRAs
- Facilitate enrollment in the tax-credit programs