Health and Childcare



The new path for affordable and flexible healthcare for Wisconsin small businesses and their employees

By Daniel Sem

BADGER INSTITUTE
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2027

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Wisconsin has a new opportunity to help solve one of this country's thorniest problems: the cost of healthcare for small businesses and employees without access to traditional group health insurance.

Thanks to recent changes in federal law, employers and legislators can now help workers obtain more affordable and flexible healthcare by combining direct primary care (DPC), health savings accounts (HSAs), individual coverage health reimbursement arrangements (ICHRAs), and conventional health insurance.

This chapter identifies two Wisconsin legislative reforms that would encourage wider adoption of this approach, save both businesses and their employees money, and give those in need of healthcare more control.

Key findings

- **Healthcare costs impose substantial burdens on businesses and employees.** The United States spent approximately $5.3 trillion on healthcare in 2024, representing about 18 percent of GDP.[1] Employer-sponsored family health insurance premiums reached $26,993 annually in 2025.[2]
- **Small businesses face particular challenges.** Businesses with fewer than 50 full-time-equivalent employees are generally not required to offer health insurance.[3] Employees without employer coverage often rely on ACA Marketplace plans, including "bronze" plans with substantial deductibles. In Wisconsin, the average lowest-cost bronze plan costs approximately $443 monthly, or $5,300 annually, before premium tax credits.[4]
- **Direct primary care and direct specialty care offer alternatives to financing routine healthcare.** Under DPC arrangements, consumers typically pay $50 to $150 monthly for access to primary care services. Direct specialty care (DSC) arrangements can also provide opportunities to purchase specialized medical services, including some surgeries, at transparent prices.
- **Recent federal reforms make it easier to combine direct payment for routine healthcare with conventional insurance.** The One Big Beautiful Bill Act (OBBBA) allows qualifying DPC membership fees to be paid using tax-advantaged HSAs and makes ACA bronze plans eligible for HSA purposes. These changes allow more employees to use HSAs for routine healthcare expenses while maintaining insurance coverage for larger, less predictable medical expenses.
- **Existing individual coverage health reimbursement arrangements complement these new federal provisions.** Employers can use these ICHRAs to help employees purchase individual health insurance, while contributing to HSAs that employees can use for qualifying routine medical expenses, including DPC. Together, these arrangements create new opportunities for small businesses to provide healthcare benefits without offering traditional group insurance.[5] One cautionary note: An employee's eligibility to contribute to an HSA can depend on whether an ICHRA

reimburses only qualifying premiums or also provides other coverage, which could disqualify HSA contributions. The ICHRA should just be used for insurance premiums for this combination to work best.

Recommendations

- **Clarify that direct primary care (DPC) in Wisconsin is not insurance.** Enact legislation similar to AB8 and SB4,[6] which would establish that DPC arrangements are not insurance and therefore should not be regulated as insurance products.
- **Create tax incentives for small businesses to offer health reimbursement arrangements (HRAs).** Revive legislation similar to AB915 and SB896,[7] which would provide a $400-per-covered-employee tax credit to businesses with fewer than 50 employees that contribute at least $400 annually per covered employee to an HRA, including an individual coverage health reimbursement arrangement (ICHRA).[8]
- **Encourage the adoption of a more flexible healthcare financing model for small businesses.** Wisconsin should encourage small businesses to take advantage of new federal provisions by combining HSAs to help employees pay directly for routine healthcare, including DPC, with ICHRAs to help employees purchase individual insurance coverage for more expensive medical events. The ICHRA (which is now being called a CHOICE Arrangement) is similar to an HSA, but funds can be used to pay insurance premiums. This approach can also incorporate direct specialty care and telehealth, giving employees greater flexibility and control over healthcare spending.[9]

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Introduction: Healthcare versus healthcare insurance

At the outset, a distinction should be made between healthcare and healthcare insurance. They are too often conflated.

Healthcare is the collection of services we receive from clinical care providers, including primary care, mental health counseling, medicines, emergency and urgent care, general wellness, and surgical interventions.

Historically, most "healthcare" has been paid for by third parties — insurance companies that are paid premiums by individuals, employers or government.

In theory and increasingly in practice, these services and products (especially medicines) could instead be paid for directly using what is referred to as direct primary care (DPC) and direct specialty care (DSC).

Direct primary care is healthcare provided directly by a physician or other provider, typically via an affordable subscription model. Patients who subscribe can get 24/7 access to a provider (so, no more need for expensive emergency room or urgent care visits) and they get the benefit of a more intimate physician-patient relationship. In typical DPC, a person pays a monthly fee ($50 to $150) to belong to a small physician group, and DPC can be used to pay for routine medical visits, annual checkups, and the vast majority of care we need and use.

There are now over 4,000 DPC sites available across the United States, which can be viewed on the Free Market Medical Association's "ShopHealth" website.[10]

Direct specialty care is similar and can be used to pay for other various specialties and even routine surgeries. Routine surgeries can be paid for affordably via DSC, as illustrated by the Surgery Center of Oklahoma, which offers transparent pricing for procedures at lower prices than would be paid by insurance (Figure 1).[11]

DPC and DSC are alternatives or complements to purely reimbursement-driven traditional insurance. Typically, DPC and DSC are used in conjunction with insurance, which covers the more expensive (and rare) events such as major surgeries or expensive cancer infusion therapies. The insurance could be obtained from an Affordable Care Act exchange (for example, the high-deductible bronze plan), as employer-sponsored coverage from one of the large companies, such as BlueCross BlueShield, Cigna, Aetna or

Hip

Procedure/Surgery	Cost
Bone Marrow Biopsy (includes pathology)[i]	$6,330*
Fluoroscopic Hip Injection with Anesthesia[i]	$3,040*
Hip Decompression (bilateral)[i]	$16,275*
Hip Decompression (Unilateral)[i]	$11,455*
Repair Gluteus Medius Tendon (implants not included)[i]	$6,165*
Sacroiliac Joint Fusion (not including hardware required)[i]	$7,450*
Total Hip Replacement[i]	$17,579.00*

Fig. 1. Transparent surgery pricing. Hip surgery prices listed at the Surgery Center of Oklahoma (Surgery Center of Oklahoma, n.d.).

UnitedHealthcare, or from health share plans like Zion and REDEEM.

This chapter presents a new opportunity, created by federal law, for Wisconsin to help increase the role of DPC and DSC, operating in conjunction with insurance, to make healthcare more flexible and affordable.

Specifically, small businesses can help employees pay for routine medical care through tax-advantaged health savings accounts and direct primary care, while helping them purchase insurance to cover larger, less predictable medical expenses.

In sum, both healthcare and healthcare insurance need to be purchased, and there is now a better way to purchase both.

Highlighting the magnitude of the problem

The United States spent approximately 18 percent of its gross domestic product on healthcare in 2024 — more than $5.3 trillion, or roughly $15,500 per person, according to the Centers for Medicare & Medicaid Services. When this $5.3 trillion in total public and private healthcare spending is averaged across all 131 million U.S. households, it amounts to roughly $40,000 per household annually.[12] That's enough to pay for one major surgery per household per year.

This economic burden is also hitting businesses, which are typically expected to provide health insurance to their employees. Employer-sponsored family health insurance premiums reached approximately $26,993 annually in 2025, continuing a long-term trend of healthcare costs growing faster than inflation.[13]

For the Wisconsinites who work in businesses with fewer than 50 employees, this is a particularly important issue, given that their employers are not required to provide insurance for them. Employees must often fend for themselves to obtain private insurance, generally relying on the Affordable Care Act's insurance exchanges. Most commonly, it is an ACA bronze plan, which acts as a high-deductible health plan (HDHP), used to cover major expenses.

Since healthcare consumers try to avoid expensive copays, they typically do not hit their deductible threshold. In short, they simply avoid getting the healthcare services they need. This may be expedient

for them in the short term. But in the long term, it is expensive for them and for society, since it can lead to an unchecked advance of chronic health problems, such as diabetes, heart problems or cancer, that are more expensive to treat after they advance.

The problem is acute not just for Main Street businesses but for entrepreneurial ventures as well. The lack of healthcare benefits in startups is a major deterrent to people leaving secure jobs to pursue dream ventures. This is a problem that hinders Wisconsin's startup ecosystem.

Small Business Administration data show that 45-50 percent of Wisconsin private-sector employees work for small businesses. Providing more flexibility and affordability for this group would be a major healthcare policy success.[14]

A solution is in sight

Until recently, even if an employer provided a health savings account, employees were not allowed to spend those HSA dollars on DPC. The 2025 One Big Beautiful Bill Act (OBBBA) changed that, so now HSA dollars can be spent on DPC membership. That means that, for the first time, via an HSA account populated with, say, $1,000 by an employer, employees can get 24/7 access to healthcare with no copays, using DPC.

Until recently, the law also did not allow use of a bronze plan as a high-deductible health plan. That would have prohibited an employer from offering an HSA coupled to a bronze plan. That changed under the OBBBA, so employees who rely on an ACA bronze plan can now get and use an employer-sponsored HSA to pay for medical expenses, including for DPC, so long as it is not categorized as insurance.

The new legislation also provides a powerful synergy with employer-sponsored individual coverage health reimbursement arrangements that enables purchasing of insurance to complement the direct-pay options.

What this means in Wisconsin

In Wisconsin, the average lowest-priced ACA bronze plan costs approximately $443 per month (about $5,300 annually) before premium tax credits.[15] An employer can now fund much or all of this premium through an individual coverage health reimbursement arrangement, thanks to new legislation.

This allows employees to purchase their own individual health insurance while maintaining predictable employer healthcare costs, and by allowing employers to offer affordable and flexible healthcare coverage, it helps them better attract and retain employees.

This kind of HDHP, such as an ACA bronze plan, should be used for very expensive things, like a surgery or expensive drug treatments.

Insurance premiums for an HDHP, even an ACA bronze plan, are still a heavy lift financially for employees in small businesses that don't offer insurance. While HSA dollars cannot be spent on insurance, ICHRA dollars can. In fact, that is the purpose of an ICHRA: It can be

used to pay for insurance and HSAs can be used to pay for routine expenses and DPC care.

This is the newly enabled formula for affordable and flexible healthcare and insurance the employers can now finally offer their employees.

What we need to do in Wisconsin

Pass legislation making it clear DPC is not insurance: A previous Badger Institute report presented the benefits of DPC and the need for legislation to protect DPC from being wrongly categorized as insurance, which could lead to anticompetitive stifling of DPC. While Wisconsin still hasn't passed this legislation (SB4 and AB8 in 2025), both the Assembly and Senate voted in favor. The governor vetoed the bill in August 2025.[16] One can hope that the next iteration in 2027 will lead to passage so Wisconsin can catch up with the rest of the country (Figure 2).[17]

Create ICHRA tax incentives for small businesses and employer education: Wisconsin Assembly Bill AB915 (and Senate Bill SB896), introduced in the 2026-2026 session, would have encouraged the use of HRAs (and ICHRAs) by small businesses via tax credits.[18] It would have amended existing statutes to provide an HRA credit and an income and franchise tax credit of $400 per covered employee for qualifying small businesses. It would have applied to businesses employing fewer than 50 people, which would have had to provide at least $400 per employee covered by the HRA in a given tax year.

The bipartisan bill was introduced Jan. 28, 2026 and it passed the Committee

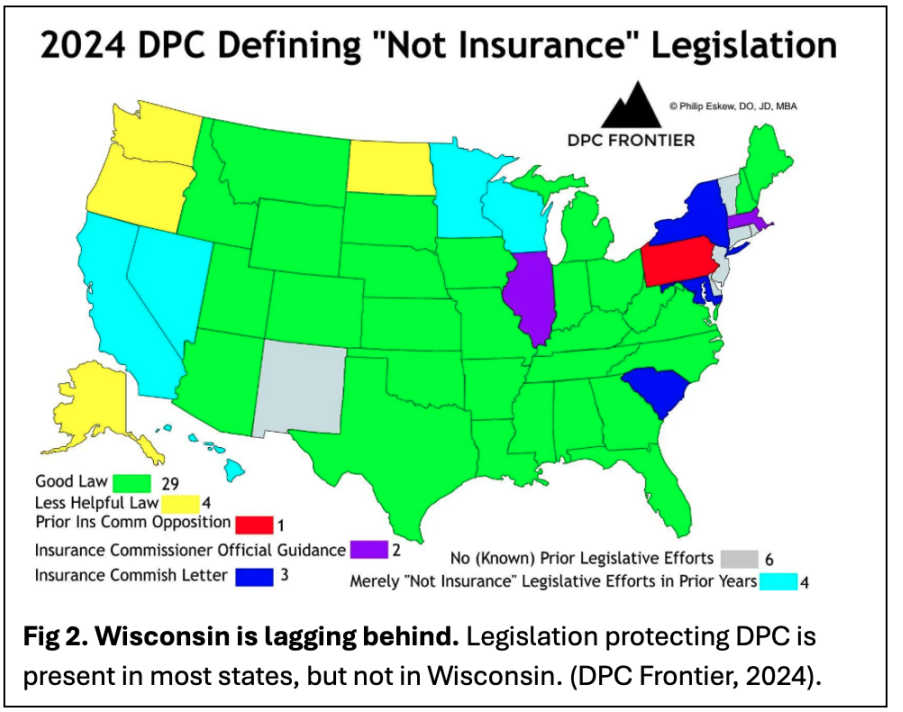


Fig 2. Wisconsin is lagging behind. Legislation protecting DPC is present in most states, but not in Wisconsin. (DPC Frontier, 2024).

on Health, Aging and Long-term Care 14-0, moving to the Committee on Rules. Remarkably, it passed in the Assembly on Feb. 19, by a vote of 97-0. The Senate referred to the Committee on Agriculture and Revenue but ultimately failed to concur. If the legislation is to advance, it will need to be reintroduced in the next session.

Its passage would be good for Wisconsin. Small businesses and their employees need access to better and more affordable healthcare, and this is possible via a strategy that uses HRAs/ ICHRAs and HSAs in combination (Figure 3). The federal government has done its part by changing HSA rules; now, Wisconsin needs do its part by encouraging and supporting HRAs/ICHRAs — a combination now being called a "CHOICE arrangement".

The roughly 50 percent of Wisconsinites employed by small businesses would get access to more affordable and flexible care via the 24/7 access that DPC and telehealth[19] provides (paid via tax-advantaged HSAs), coupled with the backstop support of a high-deductible healthcare plan, which can now include an ACA bronze plan, paid for via tax advantaged ICHRAs/HRAs/CHOICE arrangements).

The big picture: Bringing it all together

For small business employers that are offering both ICHRAs and HSAs but no insurance, their employees will now be able to have tax-advantaged assistance in purchasing both insurance (via the ICHRA) and healthcare using DPC, along with other routine medical expenses like lab tests and medications (via the HSA). Add to the mix access to telehealth, also paid for from the HSA, and small businesses' employees now have access to a complete suite of healthcare offerings that are more affordable for them and their employer than under the current arrangements (Figure 3). Given the obvious concern of employees wanting better healthcare benefits, and the prior inability of small businesses such as restaurants, family businesses or startups to provide them, this gives these businesses a talent recruiting edge, finally enabling them to attract and retain the best employees. Likewise, it would give entrepreneurs wanting to take the leap and start their own business access to an excellent form of consumer-empowered and market-based affordable healthcare coverage.

Conclusion

What this chapter presents, summarized in Figure 3, is not a new vision. It is a more than 20-year-old vision of empowering individuals to take control of their healthcare and to rely on the power and benefits of market forces. It suggests using insurance like insurance was intended, for rare and somewhat catastrophic events, while using other funding mechanisms, such as HSAs for funding DPC, for the more than 90 percent of medical needs and expenses that are routine. It was put forward years ago by many, including by David Goldhill's book "Catastrophic Care"[20] and in my book, "Purple Solutions: A Bipartisan Roadmap to Better Healthcare in America."[21]

Versions of this approach have been

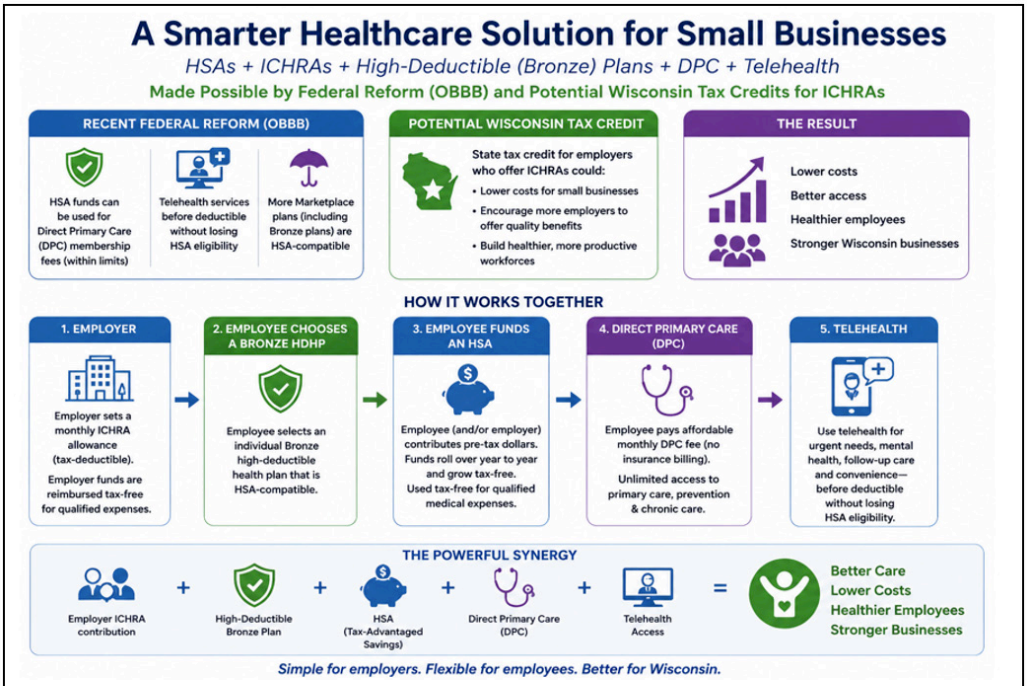


Fig. 3. A path to affordable and flexible healthcare: Bringing it all together. Complementary usage of DPC and insurance for employees in small businesses includes HSAs, ICHRAs, HDHPs, DPC and telehealth.

deployed in Wisconsin by visionary corporate and thought leaders such as John Torinus at his company, Serigraph,[22] and more recently by Matt Ohrt[23] at his company, Merrill Steel. Both have saved their companies money and provided more affordable and flexible care for their employees. They have also gone on to advocate for this kind of direct-pay market-driven approach, coupled to insurance.

On the provider end, the past president of the Wisconsin Medical Association, Dr. Wendy Molaska, left her traditional practice to form a highly successful DPC clinic,[24] where she now gets to spend more quality time with patients, providing them with more affordable and flexible 24/7 care.

The market is organically evolving to this hybrid solution for a reason. It is common sense, and it works. It seems unlikely the existing anticompetitive marketplace will be dismantled, but at least a parallel market-based solution that empowers small businesses and their employees can be offered and is supported by recent and proposed legislation.

To help facilitate this consumer-friendly evolution in the healthcare financing market, the new Legislature should:

- **Clarify that direct primary care is not insurance.** Enact legislation similar to AB8 and SB4, which would establish that DPC arrangements are not insurance and therefore should not be regulated as insurance products.
- **Create tax incentives for small businesses to offer**

health reimbursement arrangements. Revive legislation similar to AB915 and SB896, which would provide a $400-per-covered-employee tax credit to businesses with fewer than 50 employees that contribute at least $400 annually per covered employee to an HRA, including an individual coverage health reimbursement arrangement.

A path to this affordable and flexible solution to healthcare financing is now within reach if our elected officials enact these reforms.

About the author



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ENDNOTES

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