Health Optimization Checklist for Federal Employees Transitioning to Entrepreneurship

A Strategic Guide to Healthcare Continuity During Your Exit

Introduction

Leaving federal employment represents a significant life transition that extends far beyond career considerations. Healthcare coverage stands as one of the most critical—and frequently overlooked—elements of exit planning. Federal employees enjoy comprehensive benefits through the Federal Employees Health Benefits (FEHB) program, and losing this coverage without a strategic replacement plan can create financial vulnerability and stress during an already challenging transition period.

This checklist provides a systematic approach to healthcare planning across three critical phases: **Pre-Exit Optimization** (maximizing current benefits), **Transition Coverage** (bridging the gap), and **Long-Term Strategy** (establishing sustainable entrepreneurial healthcare). By following these action steps with specific timelines, you can protect your family's health while building your business with confidence.

Phase 1: Pre-Exit Optimization (6-12 Months Before Departure)

The months leading up to your exit represent your final opportunity to leverage employer-sponsored benefits that you have already paid for through premiums. Strategic utilization of these benefits can save thousands of dollars and establish a health baseline before transitioning to new coverage.

Medical Care Completion

Schedule and complete all annual preventive care visits. Federal health plans typically cover preventive services at 100% with no copay under the Affordable Care Act. This includes annual physical examinations, age-appropriate cancer screenings (mammograms, colonoscopies, prostate exams), cardiovascular assessments, and diabetes screening. Schedule these appointments at least 90 days before your anticipated exit date to ensure completion and allow time for any follow-up care that may be recommended.

Address any ongoing health concerns or elective procedures. If you have been postponing dental work, vision correction, or non-emergency surgical procedures, now is the time to address these issues while you have comprehensive coverage. Federal dental and vision plans (FEDVIP) offer significantly better rates than individual market alternatives. Complete root canals, crowns, orthodontic treatments, and LASIK consultations before your coverage terminates.

Obtain specialist consultations for chronic conditions. If you manage ongoing health issues such as diabetes, hypertension, asthma, or autoimmune disorders, schedule consultations with specialists to establish treatment protocols that can continue during your transition. Request detailed treatment plans and medication lists that can be shared with future providers.

Complete all recommended diagnostic testing. Bloodwork panels, imaging studies (X-rays, MRIs, CT scans), cardiac stress tests, and other diagnostic procedures should be completed while covered by your current plan. These baseline results will be valuable for future providers and may prevent the need for duplicate testing under new insurance.

Prescription Medication Strategy

Order 90-day supplies of all maintenance medications. Most federal health plans through FEHB allow 90-day prescription fills through mail-order pharmacies at reduced copays. Order maximum allowable quantities of all regular medications, including birth control, blood pressure medications, cholesterol management drugs, and mental health prescriptions. Time these orders to arrive just before your coverage ends.

Explore therapeutic alternatives with your physician. If you take expensive brand-name medications, consult with your doctor about generic alternatives or therapeutic substitutes that may be more affordable under future coverage. Make these transitions while you still have access to your current provider network.

Document all current prescriptions with generic names and dosages. Create a comprehensive medication list including drug names (both brand and generic), dosages, frequency, and prescribing physicians. This documentation will streamline the transition to new providers and pharmacies.

HSA and FSA Maximization

Maximize Health Savings Account (HSA) contributions if enrolled in a High Deductible Health Plan (HDHP). For 2024, individuals can contribute up to $4,150 and families up to $8,300, with an additional $1,000 catch-up contribution for those over 55. HSA funds roll over indefinitely, grow tax-free, and can be withdrawn tax-free for qualified medical expenses at any time—making them an ideal bridge fund during your transition.

Spend down Flexible Spending Account (FSA) balances before separation. Unlike HSAs, FSA funds typically operate on a "use it or lose it" basis, though some plans offer a grace period or limited rollover ($640 for 2024). Purchase eligible items including prescription eyeglasses, contact lenses (order a year's supply), over-the-counter medications, first aid supplies, sunscreen, and medical equipment. Many FSA programs now allow purchases through online retailers with automatic eligibility verification.

Stock up on FSA-eligible supplies. Beyond medications, FSA funds can cover a wide range of health-related products: blood pressure monitors, thermometers, diabetic testing supplies, compression garments, orthopedic supports, smoking cessation products, and even certain fitness equipment prescribed by a physician.

Dental and Vision Care

Complete all pending dental work. Schedule comprehensive dental examinations, cleanings, and any necessary restorative work (fillings, crowns, bridges) before your FEDVIP dental coverage ends. Dental insurance typically covers preventive care at 100%, basic procedures at 70-80%, and major procedures at 50%, making this significantly more affordable than paying out-of-pocket later.

Order contact lenses and prescription eyeglasses. Vision plans often allow annual purchases of both contacts and glasses. Order maximum allowable quantities of contact lenses (typically a year's supply) and at least one pair of prescription eyeglasses and sunglasses. Many plans also cover lens upgrades such as anti-reflective coating, blue light filtering, and progressive lenses.

Schedule comprehensive eye examinations. Beyond basic vision testing, comprehensive eye exams can detect early signs of diabetes, hypertension, and other systemic conditions. Complete these exams and request copies of your prescription for future use.

Documentation and Records

Request copies of all medical records. Under HIPAA regulations, you have the right to obtain copies of your medical records. Request comprehensive records from all providers you have seen in the past 3-5 years, including primary care physicians, specialists, hospitals, and diagnostic facilities. These records will be invaluable when establishing care with new providers.

Document your provider network and specialist relationships. Create a list of all current healthcare providers including names, specialties, contact information, and dates of last visit. If you have established relationships with excellent specialists, ask whether they accept other insurance plans or offer self-pay options.

Photograph and digitize all insurance cards and documentation. Before returning your federal employee ID and insurance cards, create digital copies of all healthcare-related documents including insurance cards (front and back), prescription cards, dental and vision cards, and any authorization letters for ongoing treatments.

Phase 2: Transition Coverage (0-18 Months Post-Exit)

The period immediately following your separation from federal service requires careful navigation of coverage options to avoid gaps that could result in financial catastrophe or loss of access to necessary care.

COBRA Continuation Coverage

Understand your COBRA rights and timeline. The Consolidated Omnibus Budget Reconciliation Act (COBRA) requires employers with 20 or more employees to offer continuation of group health coverage for up to 18 months after separation. You have 60 days from your separation date or from receiving COBRA notice (whichever is later) to elect coverage. Coverage can be made retroactive to your separation date if you elect within this window.

Calculate the true cost of COBRA. Under COBRA, you pay 100% of the premium (the portion you previously paid plus the portion your employer paid) plus up to 2% for administrative costs. For federal employees, this often means your monthly premium will triple or quadruple. However, COBRA maintains your exact same coverage, provider network, and prescription benefits—which can be valuable if you have ongoing treatments or preferred specialists.

Consider COBRA for specific scenarios. COBRA makes the most financial sense in several situations: (1) you are in the middle of expensive ongoing treatment and changing plans would reset deductibles and out-of-pocket maximums, (2) you have already met your annual deductible and want to maintain that status through year-end, (3) you need time to research marketplace options and want to avoid a coverage gap, or (4) you have a short-term transition (3-6 months) before accessing a spouse's employer plan or your own business plan.

Evaluate the COBRA election window strategically. Because COBRA can be elected retroactively within 60 days, some individuals choose to wait and only elect COBRA if they incur significant medical expenses during that window. This strategy carries risk—you are technically uninsured during the waiting period—but can save thousands in premiums if you remain healthy. Consult with a benefits advisor before pursuing this approach.

Healthcare Marketplace (ACA) Plans

Understand Special Enrollment Period (SEP) eligibility. Job loss qualifies you for a Special Enrollment Period to enroll in marketplace plans outside the annual Open Enrollment window. You have 60 days from your separation date to enroll, and coverage can begin as soon as the first day of the month following your enrollment.

Calculate potential premium subsidies based on projected income. The Affordable Care Act provides Premium Tax Credits (subsidies) for individuals and families with incomes between 100% and 400% of the Federal Poverty Level. As a new entrepreneur with potentially lower initial income, you may qualify for substantial subsidies that make marketplace plans more affordable than COBRA. Use the Healthcare.gov calculator to estimate your subsidy based on projected business income.

Compare plan tiers and networks carefully. Marketplace plans are categorized as Bronze (60% coverage), Silver (70% coverage), Gold (80% coverage), and Platinum (90% coverage). Lower-tier plans have lower premiums but higher deductibles and out-of-pocket costs. Review provider networks carefully—many marketplace plans have narrower networks than federal FEHB plans, and your current doctors may not be in-network.

Consider Cost-Sharing Reductions (CSR) for Silver plans. If your projected income is below 250% of the Federal Poverty Level, Silver-tier plans offer Cost-Sharing Reductions that lower deductibles, copays, and out-of-pocket maximums beyond the standard Silver level. These enhanced Silver plans often provide better value than Gold or Platinum plans for lower-income households.

Rollover for Business Startups (ROBS) + C-Corporation Health Plans

Understand ROBS structure for retirement fund access. ROBS allows you to use retirement funds (401(k) or IRA) to capitalize a new C-Corporation business without incurring early withdrawal penalties or taxes. The process involves rolling your retirement funds into a new 401(k) plan sponsored by your C-Corp, which then uses those funds to purchase stock in your company, providing startup capital.

Establish a group health plan as a C-Corp executive. Once your C-Corporation is established with at least one W-2 employee (yourself), you can set up a group health insurance plan. As the business owner, you become eligible for small group health insurance rates, which are often more favorable than individual market rates. Premiums paid by the C-Corporation for employee health insurance are tax-deductible business expenses.

Evaluate the tax advantages of C-Corp health benefits. C-Corporations can deduct 100% of health insurance premiums as a business expense, and these benefits are not counted as taxable income to the employee. This creates a significant tax advantage compared to purchasing individual coverage with after-tax dollars. Additionally, C-Corps can establish Health Reimbursement Arrangements (HRAs) to reimburse employees for medical expenses tax-free.

Consult with a ROBS specialist and tax advisor. ROBS structures are complex and must comply with IRS and Department of Labor regulations. Work with firms that specialize in ROBS arrangements (such as Guidant Financial or Benetrends) and consult with a CPA who understands both retirement plan rules and small business taxation to ensure compliance and optimize your structure.

LLC and Self-Employed Health Insurance Options

Claim the self-employed health insurance deduction. If you structure your business as an LLC, sole proprietorship, or S-Corporation, you can deduct 100% of health insurance premiums paid for yourself, your spouse, and dependents as an "above-the-line" deduction on Form 1040. This deduction reduces your adjusted gross income (AGI), which can lower your overall tax burden and potentially increase eligibility for other tax benefits.

Explore professional association group plans. Many professional associations and trade groups offer group health insurance plans to members. Organizations such as the National Association for the Self-Employed (NASE), Freelancers Union, and industry-specific associations may provide access to group rates that are more affordable than individual market plans.

Consider health sharing ministries as an alternative. Health sharing ministries (such as Medi-Share, Christian Healthcare Ministries, or Liberty HealthShare) are not insurance but operate as cost-sharing communities where members contribute monthly amounts that are used to pay each other's medical expenses. These programs typically cost 30-50% less than traditional insurance but have limitations: they often exclude pre-existing conditions, may not cover preventive care, and are not regulated by insurance departments. They work best for healthy individuals seeking catastrophic coverage.

Investigate Direct Primary Care (DPC) membership models. Direct Primary Care practices charge a monthly membership fee ($50-150 per person) in exchange for unlimited primary care visits, often including basic lab work and generic medications. DPC is not insurance but can be paired with a high-deductible catastrophic plan to create affordable coverage for routine care while protecting against major expenses.

Short-Term and Catastrophic Coverage Options

Evaluate short-term health insurance for brief gaps. Short-term health plans provide temporary coverage for periods of 3-12 months (varying by state) and typically cost 50-70% less than ACA-compliant plans. However, they do not cover pre-existing conditions, may exclude prescription drugs and mental health care, and do not satisfy the individual mandate. Use short-term plans only for true gaps between other coverage, not as a long-term solution.

Consider catastrophic health plans if under age 30 or qualify for hardship exemption. Catastrophic plans have very low premiums but high deductibles (typically matching the annual out-of-pocket maximum of $9,450 for individuals in 2024). They cover three primary care visits per year and preventive services before the deductible, then provide coverage for major medical events. These plans make sense for healthy young adults or those who qualify for hardship exemptions and want protection against worst-case scenarios.

Prescription Discount Programs

Utilize GoodRx for prescription savings. GoodRx is a free service that compares prescription drug prices across pharmacies and provides discount coupons that can reduce costs by 50-80% compared to retail prices. In many cases, GoodRx prices are lower than insurance copays, especially for generic medications. Download the GoodRx app and compare prices before filling prescriptions at any pharmacy.

Explore manufacturer patient assistance programs. Most pharmaceutical manufacturers offer patient assistance programs (PAPs) that provide free or deeply discounted medications to individuals who meet income requirements (typically 200-500% of Federal Poverty Level). If you take expensive brand-name drugs, visit the manufacturer's website or use resources like NeedyMeds.org or RxAssist.org to find available programs.

Consider mail-order and international pharmacies for maintenance medications. Legitimate Canadian and international pharmacies (verified through PharmacyChecker.com) often offer significant savings on maintenance medications, particularly for brand-name drugs not yet available as generics in the U.S. Consult with your physician and verify pharmacy credentials before using international sources.

Investigate discount lab testing services. Services like LaboratoryAssist.com, Walk-In Lab, and DirectLabs allow you to order your own lab tests at 60-80% below retail prices without insurance. This is particularly valuable for routine monitoring of chronic conditions (diabetes, thyroid, cholesterol) when you have high-deductible coverage or are between insurance plans.

Phase 3: Long-Term Entrepreneurial Healthcare Strategy (18+ Months)

Once your business is established and generating consistent revenue, you can implement more sophisticated healthcare strategies that balance cost, coverage, and tax efficiency.

Establishing Sustainable Business-Sponsored Coverage

Transition from individual to small group coverage as you hire employees. Once you have at least two W-2 employees (including yourself), you typically qualify for small group health insurance rates in most states. Small group plans often provide better coverage at lower per-person costs than individual plans and allow you to offer competitive benefits to attract quality employees.

Implement a Health Reimbursement Arrangement (HRA). HRAs allow employers to reimburse employees for medical expenses and individual health insurance premiums tax-free. Several HRA types exist: (1) Individual Coverage HRAs (ICHRAs) allow employers of any size to reimburse employees for individual market premiums, (2) Qualified Small Employer HRAs (QSEHRAs) allow small employers (under 50 employees) to reimburse up to $6,150 for individuals or $12,450 for families annually (2024 limits), and (3) Integrated HRAs work alongside group health plans to reimburse out-of-pocket expenses.

Explore Professional Employer Organizations (PEOs). PEOs allow small businesses to join a larger group for benefits purposes, accessing Fortune 500-level health insurance rates and benefits. Companies like Justworks, TriNet, and Insperity pool multiple small businesses together, providing better rates and more plan options than you could obtain independently. PEOs also handle benefits administration, payroll, and HR compliance.

Consider Health Savings Account (HSA) compatible high-deductible plans. If you and your employees are generally healthy, pairing a high-deductible health plan (HDHP) with an HSA can provide significant tax advantages. Employer HSA contributions are tax-deductible, employee contributions reduce taxable income, funds grow tax-free, and withdrawals for qualified medical expenses are tax-free—creating a triple tax advantage. For 2024, HSA contribution limits are $4,150 for individuals and $8,300 for families.

Advanced Tax Strategies for Healthcare

Maximize Section 105 Medical Reimbursement Plans. Section 105 plans allow C-Corporations and S-Corporations to reimburse employees (including owner-employees) for medical expenses not covered by insurance, and these reimbursements are tax-deductible to the business and tax-free to the employee. This can include deductibles, copays, dental and vision expenses, and even some alternative treatments. Proper documentation and plan administration are essential for IRS compliance.

Implement a Medical Expense Reimbursement Plan (MERP) for S-Corp owners. S-Corporation owners who own more than 2% of the company cannot participate in traditional Section 105 plans, but can use a MERP structure where the corporation pays for health insurance premiums and adds them to the owner's W-2 income, then the owner deducts them as self-employed health insurance on Form 1040. This creates a business deduction while avoiding payroll taxes on the reimbursement.

Utilize a Health FSA or Dependent Care FSA. If you have a group health plan, you can offer a Health Flexible Spending Account (FSA) allowing employees to set aside up to $3,200 (2024 limit) in pre-tax dollars for medical expenses. Dependent Care FSAs allow up to $5,000 annually for childcare expenses. These accounts reduce both income and payroll taxes for employees.

Explore defined contribution health plans. Instead of selecting and offering a specific group health plan, some employers provide employees with a defined contribution (fixed dollar amount) to purchase their own individual market coverage through a private exchange. This approach provides employees with choice and flexibility while giving employers predictable costs. Platforms like Stride Health and Take Command Health facilitate this model.

Disability and Income Protection

Secure individual disability insurance coverage. As an entrepreneur, you no longer have access to Federal Employees Retirement System (FERS) disability benefits. Individual disability insurance replaces 50-70% of your income if you become unable to work due to illness or injury. Key features to prioritize include "own occupation" definitions (pays if you cannot perform your specific job), non-cancelable and guaranteed renewable policies, and cost-of-living adjustments to keep pace with inflation.

Differentiate between short-term and long-term disability coverage. Short-term disability (STD) typically covers 3-6 months of income replacement with a waiting period of 0-14 days and is most valuable for covering temporary disabilities like surgery recovery or pregnancy. Long-term disability (LTD) begins after 90-180 days and continues until age 65 or longer, protecting against catastrophic disabilities. Most entrepreneurs prioritize LTD coverage as STD can often be covered through emergency savings.

Consider business overhead expense (BOE) insurance. BOE insurance covers your business's fixed expenses (rent, utilities, employee salaries, loan payments) if you become disabled and cannot work. This prevents your business from collapsing during a disability period and is particularly valuable for professional practices and service businesses where the owner is the primary revenue generator.

Explore critical illness and accident insurance. Critical illness insurance pays a lump sum upon diagnosis of covered conditions (heart attack, stroke, cancer, organ transplant), which can be used for any purpose including experimental treatments, travel for specialized care, or income replacement. Accident insurance provides cash benefits for injuries, emergency room visits, and hospital stays. These supplemental policies are relatively inexpensive and provide financial flexibility during health crises.

Wellness and Prevention Programs

Invest in preventive care and wellness programs. Many health insurance plans now offer premium discounts or rewards for participating in wellness programs, completing health risk assessments, or achieving health goals. Some insurers provide gym membership reimbursements, fitness tracker incentives, or cash rewards for preventive care visits.

Utilize telemedicine services for routine care. Telemedicine platforms like Teladoc, MDLive, and Doctor on Demand provide 24/7 access to physicians for common conditions at a fraction of the cost of urgent care or emergency room visits. Many health plans now include telemedicine at no additional cost, and standalone memberships typically cost $10-50 per month for unlimited consultations.

Explore concierge medicine for comprehensive primary care. Concierge medicine practices charge an annual retainer ($1,500-10,000) in exchange for enhanced access including same-day appointments, longer visit times, 24/7 physician availability, and comprehensive care coordination. While expensive, concierge medicine can be valuable for executives and entrepreneurs who need reliable access to high-quality primary care and want a physician who understands their unique health needs.

Implement workplace wellness initiatives as your business grows. As you hire employees, consider wellness initiatives such as standing desks, healthy snacks, mental health resources, and fitness challenges. Healthier employees have lower healthcare costs, higher productivity, and better morale—creating a positive return on investment for wellness spending.

Essential Resources and Tools

Government Resources

- **Healthcare.gov** - Official Health Insurance Marketplace for ACA plans and subsidy calculations
- **Medicare.gov** - Information for those 65+ or with qualifying disabilities
- **Benefits.gov** - Comprehensive federal benefits information and eligibility screening
- **IRS Publication 502** - Complete list of qualified medical expenses for HSA/FSA/HRA purposes

Prescription Discount Services

- **GoodRx.com** - Compare prescription prices and access discount coupons

- **RxSaver by RetailMeNot** - Alternative prescription discount service
- **NeedyMeds.org** - Database of patient assistance programs and discount resources
- **CostPlusDrugs.com** - Mark Cuban's transparent-pricing pharmacy for generic medications

Lab Testing and Medical Services

- **LaboratoryAssist.com** - Discount lab testing without insurance
- **Walk-In Lab** - Direct-to-consumer lab testing at wholesale prices
- **RadiologyAssist.com** - Discount medical imaging services

Insurance Comparison and Enrollment

- **eHealth.com** - Compare individual and family health insurance plans
- **Stride Health** - Health insurance guidance for self-employed individuals
- **PolicyGenius** - Compare life, disability, and health insurance options

Business Health Insurance Resources

- **NASE (National Association for the Self-Employed)** - Group health insurance for self-employed individuals
- **Freelancers Union** - Benefits and insurance for independent workers
- **SCORE.org** - Free small business mentoring including benefits guidance

ROBS and Retirement-Funded Business Specialists

- **Guidant Financial** - ROBS and small business financing
- **Benetrends** - ROBS and 401(k) business financing
- **FranFund** - Franchise and small business funding through retirement accounts

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Timeline Summary and Action Checklist

12 Months Before Exit

- [ ] Schedule comprehensive physical examination
- [ ] Complete all recommended preventive screenings
- [ ] Schedule dental cleaning and address any pending dental work
- [ ] Schedule comprehensive eye exam and order glasses/contacts
- [ ] Begin researching post-exit insurance options
- [ ] Consult with benefits advisor about COBRA vs. marketplace options

6 Months Before Exit

- [ ] Maximize HSA contributions for the year
- [ ] Address any elective medical procedures or specialist consultations
- [ ] Order 90-day supplies of all maintenance medications
- [ ] Spend down FSA balance on eligible supplies and equipment
- [ ] Request copies of medical records from all providers
- [ ] Research ROBS options if planning to start a C-Corporation

3 Months Before Exit

- [ ] Finalize post-exit healthcare coverage plan
- [ ] Complete any remaining dental or vision work
- [ ] Order final round of prescription medications
- [ ] Purchase FSA-eligible supplies (contacts, glasses, medical equipment)
- [ ] Document all current prescriptions with generic names and dosages
- [ ] Photograph and digitize all insurance cards and documentation

1 Month Before Exit

- [ ] Confirm exact date of coverage termination with HR
- [ ] Review COBRA election materials and timeline
- [ ] Set up Healthcare.gov account if using marketplace
- [ ] Confirm new coverage start date to avoid gaps
- [ ] Transfer remaining HSA funds to personal HSA account
- [ ] Set up automatic payment for new insurance premiums

Within 60 Days After Exit

- [ ] Elect COBRA coverage if chosen (within 60-day window)
- [ ] Enroll in marketplace plan during Special Enrollment Period
- [ ] Establish new primary care physician if changing networks
- [ ] Transfer prescriptions to new pharmacy if needed
- [ ] Set up online accounts for new insurance portals
- [ ] File for premium tax credits if applicable

6-12 Months After Exit

- [ ] Evaluate first-year healthcare costs and adjust coverage for next year
- [ ] Consider transitioning from COBRA to marketplace during Open Enrollment
- [ ] Implement business-sponsored health plan if hiring employees
- [ ] Secure individual disability insurance coverage
- [ ] Establish HSA-compatible HDHP if appropriate for your situation
- [ ] Review and optimize tax strategies for healthcare expenses

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Conclusion

Healthcare planning represents one of the most critical—yet frequently neglected—aspects of transitioning from federal employment to entrepreneurship. The comprehensive benefits provided through FEHB create a safety net that many employees take for granted until it disappears. However, with strategic planning across the three phases outlined in this checklist, you can maintain healthcare continuity, minimize costs, and protect your family's wellbeing while building your business.

The key to successful healthcare transition lies in proactive planning rather than reactive crisis management. By maximizing your current benefits before exit, carefully selecting appropriate bridge coverage during the transition period, and implementing sustainable long-term strategies as your business grows, you can transform healthcare from a source of anxiety into a manageable component of your entrepreneurial journey.

Remember that healthcare planning is not a one-time decision but an ongoing process that evolves with your business and personal circumstances. Review your coverage annually, stay informed about changing regulations and options, and consult with benefits advisors, tax professionals, and insurance brokers who understand the unique needs of entrepreneurs transitioning from federal service.

Your health is your most valuable asset as an entrepreneur. Protect it with the same strategic thinking and careful planning that you apply to your business strategy, and you will build a foundation for long-term success and wellbeing.

Document prepared by Kingdom Collective Group
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