The Impact of Health Care Reform on Small Businesses

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CPAs AND SO MUCH MORE.

Health Care Reform

- Patient Protection and Affordable Care Act (PPACA)

- Affordable Care Act (ACA)

- ObamaCare

2010 Law
Mandates medical coverage for all Americans
Eliminates exclusions for pre-existing conditions & discrimination based on gender

Beginning Jan.1, 2014 Rates determined solely by;
Age-Geographic Area-Tobacco use-Plan type (single, family)

WHO is impacted…

- <u>Small businesses</u>,

  *Primary impact-potentially increased rates due to Adjusted Community Rating (ACR)

  *Taxes and fees to carriers passed to insurers and insured

  *Not subject to employer penalty/mandate

- <u>Large employers</u> >=50 employees (50FTEs or FTE equivalent)

  *Subject to penalties if no coverage or unaffordable coverage offered

  *Penalties start January 1, 2015

- <u>Individuals</u> are mandated/required to have medical insurance beginning Jan. 1, 2014

(FFM) Marketplace or Exchanges

- **Individuals**
  - All Americans are required to have medical coverage as of Jan. 1, 2014 or face penalty
  - Medicare, BadgerCare (qualifying levels changed)
    - Employer sponsored
    - Individual coverage with carrier-Private Exchange
    - Federally-Facilitated Marketplace (FFM) or Exchanges
      - CHIP and Medicaid eligibility determined on FFM using Modified Adjusted Gross Income (MAGI)

*Registration on the Exchange MUST be completed by December 15 for coverage January 1, 2014

Exchange options

- ## WI Office of Commissioner of Insurance (OCI) accepted 13 insurers for <u>Individual FFM Exchange</u>
  - Insurers vary by county
  - Anthem Blue Cross and Arise/WPS "regular" insurers on Exchange
    - Others include: Common Ground Healthcare, Security Health, Unity Health…

- ## Small Business Health Option Program (SHOP)
  - Small business owners can offer coverage through the SHOP Exchange, pay one premium, employees select insurer and plan
  - Insurers vary by county
  - Common Ground Health Care and Arise-Manitowoc
  - Online in November, paper apps now

How to Apply on the Exchange

- Online-SHOP begins November, Individual now at www.healthcare.gov
- Mail/paper applications
- Navigator, Qualified Helper, Application Assister, Certified Application Counselor (https://localhelp.healthcare.gov/)

- View premiums without having to set up an account:
  https://www.healthcare.gov/find-premium-estimates/

- Coverage levels: Bronze, silver, gold and platinum; catastrophic

*Please remember-you must enroll before Dec. 15 for Jan. 1 coverage:

Set up an account

Input information for the application

Compare plans

Enroll

What Can Small Businesses Do

- **EDUCATE yourself and your employees**
  - Connect and work with your agent/consultant
  - Find a local enrollment assister/certified application counselor/navigator... https://localhelp.healthcare.gov/
  - Utilize Resources available

- **Consider options**
  - Carriers providing early renewal and extended renewal rates
  - Carriers "testing waters" with multiple choice plans (Mini-Private Exchanges)
  - Level or Partial Self-funding
  - Modify deductible amounts
  - Modify employer contribution amounts-levels, tiers
  - Utilize HSA, HRA, FSA plans. HRAs have changes starting 1/1/2014
  - Discontinue employer coverage

Small Employer Health Insurance Credit

- For small employers that pay at least 50% of the group health insurance premiums for their employees. Several changes start in 2014:
  - Credit increases from 35% to 50%
  - Must purchase group insurance on the exchange to qualify
  - Credit is allowed for 2 consecutive years starting with the first year insurance is purchased on the exchange (law) vs. the first year the credit is claimed in 2014 or later (proposed regs).

Individual Mandate

- Jan. 1, 2014: Individuals must maintain coverage for themselves and their dependents, unless exempt
- Penalty amount: Greater of $ amount per person (3 people max) or a % of household income
  - 2014 = $95 or 1% of household income
  - 2015 = $325 or 2% of household income
  - 2016 = $695 or 2.5% of household income

- IRS can not utilize liens or levies if tax is not paid

Premium Assistance Credit

- Refundable income tax credit for low or moderate income families. A taxpayer qualifies if all three requirements are met:
  - Insurance is purchased on a state/federal exchange
  - Household income (AGI + muni interest + untaxed social security income) must be at least 100% but not more than 400% of the Federal Poverty Level
  - Employer provided coverage is not offered, is not affordable or does not provide minimum value (plan must cover at least 60% of the total costs incurred)
- Affordable: The employee portion for self-coverage does not exceed 9.5% of household income

Premium Assistance Credit

- The Premium Assistance Credit limits the amount of premium that a person will pay
- Premium is limited to 2% to 9.5% of household income
- It is NOT based on a percent of the premium
- Credit is based on second lowest cost of the silver plan
- See examples
- Some employees may pay less on the exchange than for employer-provided group coverage

  - UNDERSTANDING THIS IS CRITICAL

Employer Mandate – Large Employers

- Assessed to large employers: At least 50 full-time and full-time equivalent employees based on prior calendar year
- Large employer – Is a full-time equivalent concept:
  - Full-time is based on at least 30 hours per week or at least 130 hours a month
- Penalty is assessed for two reasons:
  - Failing to offer full-time employees and their dependents the opportunity to enroll in minimum essential coverage. $2,000 penalty for each full-time employee, with the first 30 exempt
  - Offering minimum essential coverage that is unaffordable or does not cover at least 60% of the actuarial value. $3,000 penalty for each full-time employee receiving subsidy through insurance exchange

Health Care Reform Resources

- ## Government website
  - https://www.healthcare.gov

- ## Kaiser Family Foundation-Health News
  - http://www.kaiserhealthnews.org/

- ## IRS
- http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions