

# What's in federal health reform for small businesses?



# Presentation Outline

- The need for health reform
- What's in the ACA for small businesses?
  - No mandate
    - Will small businesses be *required* to offer coverage? (No.)
  - Tax Credits
  - NY State of Health Marketplaces
  - Insurance Premium Rate Review



# The need for health reform



# The coverage crisis

- 2.8 million (15%) New Yorkers lack health insurance (50 million in US).
  - 50% of uninsured adults in NY work full-time jobs.
  - 800,000 employees of small businesses lost coverage in the past decade. Employers are cutting back health benefits, or cutting them altogether.



# The coverage crisis (cont.)



- Between 2000 and 2009, health insurance premiums in NY grew by 92%, while median earnings only rose by 14%.
  - The average annual cost of insurance in the individual market in NY is over \$12,000 for an individual, more than \$24,000 for a family.



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# Will the ACA require me to buy coverage for my workers?

*(Not if you have fewer than 50 employees.)*



# Employer Coverage Requirement



- < 50 employees
  - **Not required to offer coverage**
- 50+ employees
  - Penalty for not offering coverage
  - Penalty for offering coverage that is unaffordable and/or lacks minimum value
- 200+ employees
  - Must automatically enroll employees in health plans if offered; employees can opt out



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# Delayed Employer Penalty



- Originally, the Employer Penalty would begin on January 1, 2014
- On July 2, 2013, the Department of the Treasury announced a delay to January 1, 2015
- Large Employers will now have more time to conform to the new rules
  - The IRS will use the number of employees an employer has in 2014 to determine their liability in 2015
- Time to begin planning!
- No impact on small businesses



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# Small Business Tax Credits



# Tax Credits (Available NOW!)

What firms are eligible?



- Fewer than **25** full-time employees
  - Two half-time employees count like one full-time employee
- Average annual wages < **\$50,000**
  - Not counting wages of the owner or her family
- Employer pays at least 50% of premium cost
- Non-profits eligible too!



# Tax Credits

## How much is the credit worth?

- Level of credit depends on number of employees and their average wages.
- Highest credit is 35% of firm's health insurance costs
  - For firms with <10 employees with average wages <\$25,000

**Example:** Tina's Bagels has 7 employees with average wages of \$24,000. She made \$100,000 in profit, and without the credit her federal income tax would be \$30,000. She spent \$40,000 on health insurance for her employees.

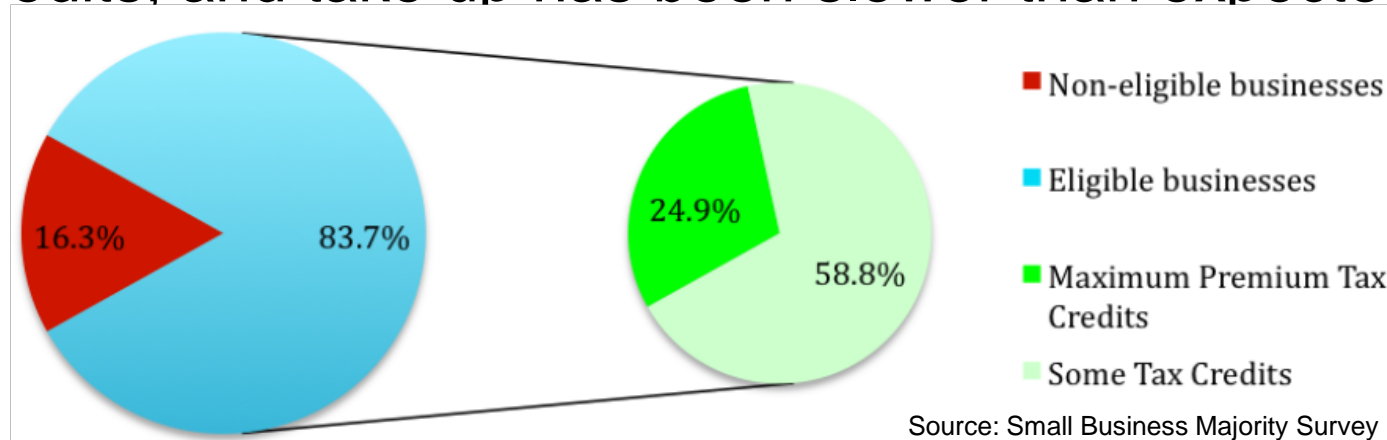
The tax credit would save Tina **\$14,000** (35% of \$40k) And a credit subtracts dollar-for-dollar from her final tax. That's better than a deduction that only reduces taxable income. With the credit, Tina would owe \$16,000 in taxes.



# Tax Credits

## Lots of businesses eligible

- 81% of small businesses in NY State are eligible (285,000 firms)
- But many eligible businesses don't know about the credits, and take up has been slower than expected.



ACA Tax Credits have already benefited 360,000 small businesses in the U.S. covering 2 million workers.



# Tax Credits

## How to claim the credit



- Claim credit using IRS Form 8941 available at [www.irs.gov](http://www.irs.gov)
- Credit can be reflected in determining estimated tax advances
- Credit applies towards income tax, not employment taxes
- Credit can be carried forward and backward

**Talk to your accountant!**



# NY State of Health Marketplaces *Coming Soon!*



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# Individual Marketplace and Small Business Marketplace



- Marketplaces are online marketplaces like “Orbitz” with an interface like “Turbo Tax”

## Individual Marketplace

- Sole proprietors (and individuals)
- Insurance subsidies

## Small Business Marketplace

- Businesses with 2-50 employees
- Tax Credits for small businesses

- Open enrollment for both starts October 1, 2013
  - Coverage begins January 1, 2014
  - 450,000 small business employees may get covered in the Marketplace



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# Benefits of the Small Business Marketplace



- Lower group insurance rates
- Compare products apples to apples
- Select health plans at a variety of price points
- Set fixed contribution to employees' insurance coverage
- Tax credits of up to 50% of premium contribution for qualifying employers, starting in 2014
- Administrative simplicity—one monthly invoice and help throughout the process!



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# Insurance Premium Rate Review



# Rate Review

## How it works



- State Department of Financial Services now **reviews** and approves premium increases **before** they go into effect
  - You can file **comments** on rate increases before they are approved

[www.dfs.ny.gov/insurance/health/prior\\_app/prior\\_app.htm](http://www.dfs.ny.gov/insurance/health/prior_app/prior_app.htm)  
[www.companyprofiles.healthcare.gov](http://www.companyprofiles.healthcare.gov)

- Medical Loss Ratio (MLR) Standard: Plans must now spend 82 cents out of every premium dollar on enrollees' health costs in New York or send rebates to consumers



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# Rate Review

## Results



- Reduced rate increases for 2012 by 4.5% on average, **saving New Yorkers \$400 million**
  - Average reduction in increase in small group market was 6.8%
- Reduced rate increases for 2013 by 4.8% on average, **saving New Yorkers \$500 million**
  - Average reduction in increase in small group market was 6.2%
- MLR Rebates
  - **\$86.5 million** in **refunds** were distributed in York in the summer of 2012
  - **\$1.1 billion** was refunded throughout the U.S



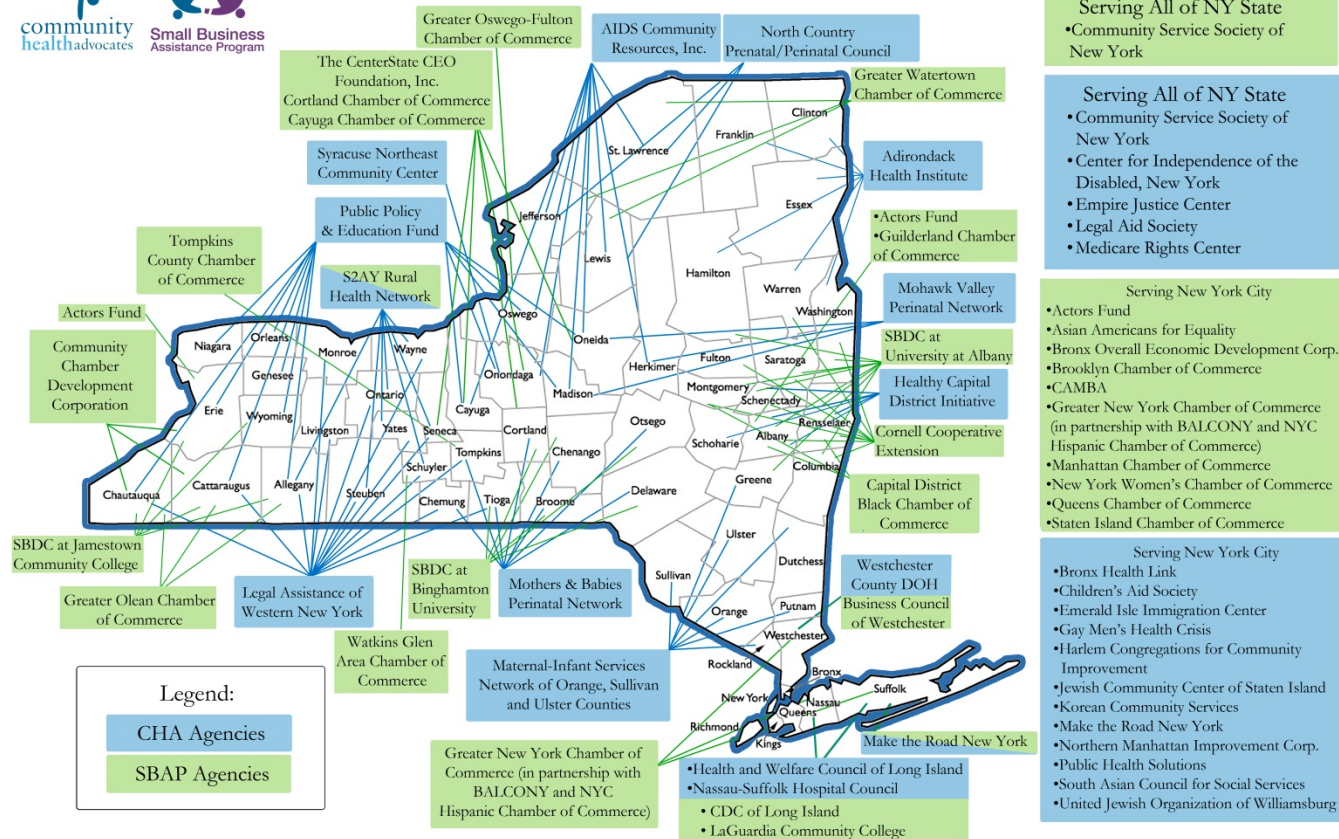
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# For All New Yorkers



## CHA and SBAP Statewide Network

CHA Helpline: 1-888-614-5400 | E-Help: [www.communityhealthadvocates.org/get-help](http://www.communityhealthadvocates.org/get-help)



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# More Resources

- **Employer Coverage Responsibilities**

- [www.healthcare.gov/using-insurance/employers/index.html](http://www.healthcare.gov/using-insurance/employers/index.html)

- **Tax Credits**

- [www.healthcare.gov/law/features/employers/small-employer-tax-credit/index.html](http://www.healthcare.gov/law/features/employers/small-employer-tax-credit/index.html)
- [www.irs.gov/newsroom/article/0,,id=223666,00.html](http://www.irs.gov/newsroom/article/0,,id=223666,00.html)
- [www.irs.gov/pub/irs-pdf/i8941.pdf](http://www.irs.gov/pub/irs-pdf/i8941.pdf)

- **Exchanges**

- [www.NYStateofHealth.ny.gov/](http://www.NYStateofHealth.ny.gov/)
- [www.healthcare.gov/law/features/choices/exchanges/index.html](http://www.healthcare.gov/law/features/choices/exchanges/index.html)

- **Rate Review**

- [www.dfs.ny.gov/insurance/health/prior\\_app/prior\\_app.htm](http://www.dfs.ny.gov/insurance/health/prior_app/prior_app.htm)
- [companyprofiles.healthcare.gov](http://companyprofiles.healthcare.gov)



# The End / Questions

