



National Health Care Reform

What Does This Mean for my
Business?

What Does Health Care Reform Mean for Business?



Major Provisions

Effective 2010

- Small Business Tax Credit
 - Credit amount = applicable percentage of the lesser of: (a) premiums paid by the employer or (b) the average premium in the small group market for the state as determined by the IRS.
 - For 2010 through 2013, the applicable percentage for a taxable employer is 35% and tax-exempt employer is 25%.
 - Beginning in 2014, the applicable percentages are increased to 50% for taxable employers and 35% for tax-exempt employers.
 - Tax credits has 2 phases: Phase 1- Credit is available until 2014, Phase 2- After 2014, credit is only available for 2 years and must be used in the exchange
 - There are reductions in the tax credit for employers with more than 10 employees OR average annual wages are more than \$25,000

Major Provisions

Effective 2010

- Dependent Age Coverage
 - Federal Law requires Dependent Coverage to age 26
 - Dependents can be married & do not have to reside or depend on employee
 - Employers are not required to: provide coverage if dependent has access to own employer coverage until 2014 OR provide coverage to spouse or children of dependents
 - Effective for plan issued/renewed on or after September 23, 2010
 - New State law effective July 1, 2010 for small group market and publicly funded plans
 - Requires coverage up to age 28
 - Dependent must: be natural child, step-child, or adopted child; be resident of Ohio **OR** full-time student; not have access to coverage through employer or Medicare/Medicaid
 - Conflicts will be resolved over time

Major Provisions

Effective 2010

- **Insurer/Self Insured Changes:**
 - Pre-existing condition limitations for children
 - No Annual & Lifetime limits on certain “essential health benefits”
 - Insurers report loss ratios and provide rebates
 - Prohibition on rescinding policies
- **Temporary Re-insurance for retiree benefits**
 - Application process to be announced by 6/21/2010.
 - Program ends 1/1/2014 or when funding (\$5 billion) is exhausted
 - Reimburses 80% of claims btwn \$15,000 and \$90,000 by retirees ages 55-64
 - Employers must have measures to generate cost-savings with respect to chronic and high-cost conditions and must use the reimbursement to “reduce premium cost” or retiree cost sharing.
- **Prescription drug coverage changes for retirees- not effective until 2013, but tax write downs have already taken place.**

Additional Provisions

- In 2011
 - W-2's must include cost of employee health care coverage
 - Cost based off of COBRA coverage for self-insureds
 - FSAs, HSAs, HRAs no longer reimburse OTC costs
 - Penalty increase on non-qualified HSA distributions from 10% to 20%
 - “Simple” cafeteria plans take effect for small employers
 - Exempts employers under 100 employees that meet certain requirements from “non-discrimination” rules for cafeteria plans

Additional Provisions Cont'd

- In 2012
 - Fees to fund the Patient-Centered Outcomes Research Trust Fund
 - \$1 (1st yr), \$2 (2nd yr), \$2 plus annual medical inflation (2015-2019) per-participant annual fee (expires in 2019)
 - Fund is supposed to assist in making informed health decisions by determining the manner in which diseases are most effectively treated and prevented
- In 2013
 - Employers must provide all employees with an explanation of the state exchanges to purchase insurance and
 - If the employer subsidy of the cost of coverage is less than 60%:
 - a summary of the individual tax credit and
 - notice of the availability of free choice vouchers

Additional Provisions Cont'd

- In 2013 Cont'd
 - Individuals with wages above \$200,000 for a single return and \$250,000 for a joint return will be subject to:
 - additional 0.9% tax on wages in excess of above thresholds and
 - 3.8% tax on their net investment income (e.g., interest, dividends, royalties, annuities and rents).
 - FSAs contributions will be capped at \$2,500

Additional Provisions Cont'd

- In 2014
 - Employers with more than 50 employees will pay penalty for “no coverage” or “unaffordable” coverage
 - Individuals must have coverage or pay penalty
 - Set up state based “exchanges” to buy insurance
 - Free-Choice Vouchers
 - Employers with more than 200 (full-time) employees must auto-enroll
 - No employee waiting period beyond 90 days

Employer Penalties

- Applies to 50 more FTE employees
 - Full-time equivalent employees include:
 - “Full-time” employees working on average 30 or more hours per week.
 - Equivalent employees calculated by dividing all hours worked in a month (other than hours worked by a full-time employee) by 120 hours
 - Appears part-time employees will be used in the calculation, but employers won’t pay penalty for them
- 2 Types of Penalties: No offer and unaffordable coverage

Employer Penalties Cont'd

- No Offer Penalty
 - Applies to employers w/ more than 50 employees
 - not offering coverage to full-time employees ***and their dependents*** AND
 - Have at least ONE employee receiving the premium tax credit (PTC)
 - Penalty is \$2,000 per full time employee (minus the first 30 employees)

Note: Individuals are eligible for the PTC if they have **family** income between 100% and 400% of FPL. Employees with access to employer plan are generally not eligible for PTC unless the employer plan has an actuarial value of less than 60% OR the premiums exceed 9.5% of **family** income.

Employer Penalties Cont'd

- Unaffordable Coverage Penalty
 - Applies if either:
 - the company pays less than 60% of the value of the plan for both employees and dependents **OR**
 - the employee's share of the cost is more than 9.5% of the employee's *family* income.
 - Penalty is the lesser of:
 - \$3,000 X # of full time employees receiving a subsidy **OR**
 - \$2,000 X # of all full time employees (including first 30 employees).

Free Choice Vouchers

- All employers that offer health coverage must provide “free choice” vouchers to certain employees
- Vouchers are equal to the largest premium contribution the employer on behalf on employee for coverage.
- Employees (full and part-time) are eligible if
 - Employee’s share of the premium cost is a percentage of their **family** income (8% to 9.5%) or
 - **Family** income is less than 400% of the federal poverty level and
 - Employee chooses not to enroll in the employer’s plan.
- An employee keeps excess or pays difference after purchasing coverage on the exchange.

Other Employer Provisions

- Auto Enroll
 - Applies to employers with more than 200 full-time employees
 - Requires employers to enroll employee in lowest-cost plan
 - Employees will be able to “opt-out” of coverage
- Cap on Waiting Period
 - Employers are prohibited from requiring more than 90 days to access health plan

Cadillac Tax

- 40 % excise tax on high value health plans
 - Applies to plan with premiums in excess of \$10,200 for single and \$27,500 for family.
 - Tax imposed on insurer (or TPA for self-insureds)
 - Effective Jan. 1 2018

Summary

- Small Business Tax Credit, Dependent Coverage, Insurance Changes among the provisions to be enacted this year
- Most other ***major provisions*** don't go into effect until 2014 or later
- Rules and Regulations implementing these provisions will be created in the months and years to come and will likely clarify some of the inconsistencies in the law today



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