

Affordable Care Act – Part Two

Hello!

This is the second of a two-part newsletter on the Affordable Care Act (ACA). In this edition, the effects of ACA on businesses – small and large – will be highlighted.

Small Businesses (Less Than 100 Employees)

In the U.S., there are about six million small employers, of which approximately 90 percent have fewer than 20 employees and these entities employ over half the U.S. workforce.

With ACA, the Small Business Health Options Program (SHOP) was set up and officially went into effect last month. The program offers small businesses (those with less than 50 full-time equivalent (FTE) employees a number of Qualified Health Plans (QHPs) as part of each state's Health Insurance Marketplace. The term "full-time employee" refers to an individual who works at least 30 hours per week.

Some benefits of SHOP to business owners include:

- **Options** –enables small businesses to offer its employees Qualified Health Plans from several insurance carriers and details their benefits, costs, and quality of coverage.
- **Control** – gives employers control when they participate as well as discretion as to what level they want to contribute towards coverage. It allows business owners to make a single monthly payment through SHOP rather than to multiple health plans.
- **Affordability** - gained through distributing insurers' administrative costs across more employers.

- **Incentives** - includes tax credits and subsidies to businesses with less than 25 FTE employees with average annual wages below \$50,000. For this year, owners are eligible for a tax credit of up to 35 percent (25 percent for non-profit organizations) of their contributions to employee premiums if they pay for at least 50 percent of their employees' insurance premiums. Starting next year, the tax credit is increased to 50 percent (35 percent for non-profit organizations).

For those businesses with more than 50 FTE employees, they are subject to an employer mandate starting in 2015 if they do not provide health insurance coverage to all eligible FTE employees that meet the minimum standards set by forth by the ACA, cover at least 60 percent of the employee's premiums, and provide coverage that exceeds 9.5 percent of family income. This mandate is also known as a shared responsibility fee and is \$2,000 per employee with the first 30 employees excluded from being counted toward the penalty. However, if at least one FTE employee receives a premium tax credit because coverage is either unaffordable or it does not cover 60 percent of total costs, the employer must pay the lesser of \$3,000 for each of those employees receiving a credit or \$750 for each of their FTE employees.

With respect to those businesses that have less than 100 employees, they can shop for insurance on the exchanges starting next year which could potentially provide lower costs alternatives than are available now. For those that offer health insurance as a benefit to early retirees (ages 55-64), they are eligible the Early Retiree Reinsurance Program, which is designed to lower the cost of premiums for all employees and reduce employer health-related costs.

Overall, SHOP provides small businesses with affordable insurance options, cost assistance, and increased buying power through the exchange. It is projected that small employers may see up to a 50% reduction in their share of the cost of employee premiums.

Large Businesses (Over 100 Employees)

According to the results of Medical Expenditure Panel Survey released in 2009, 98 percent of employers with 100 or more employees offered health insurance coverage, and therefore, the health care reforms through ACA will not have much effect on this group as these companies are expected to continue to provide their current coverage options.

At this time, employers with over 100 employees are not eligible for coverage through SHOP, but beginning in 2017, states can choose to allow large employers to obtain coverage through the exchanges.

Summary

The Affordable Care Act will have differing levels of effect depending on the size of the business. For those businesses with less than 50 employees, they will have more insurance options through the new health insurance exchanges. These new options have the potential to save money for small businesses that wish to offer insurance to employees.

For those companies that employ between 50 and 100 individuals, they will also have access to new coverage options, but will be subject to financial penalties if their employees obtain federal subsidies due to a lack of affordable coverage available through them.

Overall, it is expected that for employers with greater than 100 employees, they will experience the least amount of change. They may see higher employee participation in their current health plan coverage as they will be subject to penalties if their FTE employees get subsidized coverage through the exchanges.

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