

# **For Small Businesses: The Facts on the New Health Care Law**





## **What is the Affordable Care Act?**

The Affordable Care Act is a law passed by Congress and signed by the President in March 2010. It puts in place health insurance reforms that will roll out over four years and beyond, with many changes taking place in 2014.

# The Affordable Care Act Timeline

- Small Business Premium Tax Credit becomes available
- Protections for Consumers:  
No pre-existing condition discrimination for kids, under 26 can stay on parents' plan, no lifetime limits/annual limits phaseout begins
- In many plans: preventive services like mammograms and colonoscopies covered without a co-pay

2010

2011

- Rate Review: insurance company premium increases begin to be reviewed by an independent third party

- 80/20 rule: rebates for consumers if the insurance company doesn't spend 80 cents of each dollar on medical care/quality improvement
- Health insurance plans begin to provide easy-to-understand benefit summaries

2012

2014

- Competitive Healthcare Marketplaces (Exchanges) begin: one-stop shops where individuals and small businesses can purchase affordable private health insurance
- Members of Congress will get their healthcare from the exchanges – just like millions of Americans
- Individual responsibility requirements begin; tax credits for purchasing health insurance available for those who qualify
- Protections for Consumers: no discrimination against anyone with a pre-existing condition, annual limits eliminated



# *The Big Picture*



## Why is the Affordable Care Act necessary?

For too long, we had a health insurance market that worked very well for big insurance companies, but not so well for American families and small businesses. For many years, Americans watched their health insurance costs rise more rapidly than their wages. From 1999-2009, health insurance costs and premiums skyrocketed, leaving employers in the difficult position of deciding whether they could continue to maintain coverage for their workers. And small businesses paid an average of 18 percent more for the same health coverage as large businesses. The Affordable Care Act was signed into law to give hard-working families and employers the security they deserve, to hold insurance companies accountable and end some of the worst abuses of the insurance industry, and to help drive down health care costs. It builds upon the existing private employer-based system of health-insurance coverage.



## Quick Facts

- The law helps ensure that people who have coverage now can keep it and will be protected from the worst insurance company abuses. For example, uninsured people with pre-existing conditions have had very few options in the private insurance market. Now, thanks to the law, they can enroll in a Pre-Existing Condition Insurance Plan in their State. In 2014, discriminating against anyone because of a pre-existing condition will be illegal.
- The law makes sure health care dollars are spent wisely and helps control costs. If insurance companies don't spend at least 80 percent of your premium dollar on medical care and quality improvement activities, rather than advertising and bonuses for executives, they will have to provide you a rebate. The first rebates will be made in the summer of 2012. And starting September 1, 2011, in every State and for the first time ever, insurance companies are required to publicly justify their actions if they want to raise rates by 10 percent or more.

A woman with dark curly hair is sitting at a wooden desk, writing on a piece of paper with a yellow pencil. She is wearing a black top. In the background, a man and a woman are looking at a laptop. A white coffee cup on a saucer is on the desk. A purple pencil is also on the desk. The scene is lit with a warm, soft light.

■ The law creates opportunities for better access to affordable care. In addition to features like letting a young adult stay on their parents' plan until the age of 26 if they can't get coverage through work, the law establishes new, competitive marketplaces in each State called Affordable Insurance Exchanges. In 2014, families and small business owners will be able to shop in the Exchanges where they will have access to the same kinds of private insurance choices as Members of Congress.

# *The Details*



## **Does the law mandate that I provide insurance to my employees?**

**No.** The health care law does not require businesses to provide insurance. For businesses with fewer than 50 full-time and full-time equivalent employees, there are no consequences for not providing health insurance.

**When calculating how many full-time equivalent employees you have, part-time workers are considered.**

## How does the law help me provide high-quality coverage to my employees?

You may be eligible for tax credits to help you pay for your employees' insurance. The credits are as large as 35% today and rise to 50% in 2014.

### **You might qualify if you:**

- 1) have low-wage workers,
- 2) pay at least 50% of the premium cost, and
- 3) have up to 25 full-time equivalent employees.

You can get more information on this at the IRS website: [www.irs.gov/sbhtc](http://www.irs.gov/sbhtc). (Beginning in 2014, you will need to buy your company's coverage through the Affordable Insurance Exchange in your State to get the tax credit.)

The law also makes comparison shopping easier via the Insurance Finder tool at [HealthCare.gov](http://HealthCare.gov). In 2014, this process will be even easier in the Affordable Insurance Exchanges. And some protections are already in place. For example, plans that started after September 23, 2010, must cover recommended preventive services like cancer screenings and immunizations for free to enrollees. (You can visit [www.healthcare.gov/prevention](http://www.healthcare.gov/prevention) for a full list of services and implementation dates.)

Also beginning with plan years in 2014, insurance policies sold to small businesses will cover an "essential benefits" package that will be designed to be equivalent to the typical employer-sponsored policy.

## **Aren't premiums in the employer insurance market going to go up?**

Historically, premiums have gone up rapidly. The Affordable Care Act helps change that by working to control costs. Starting September 1, 2011, in every State and for the first time ever, insurance companies are required to publicly justify their actions if they want to raise rates by 10 percent or more. Health policy experts and economists who have looked at the health care law have said that it pursues the full range of tools to reduce health care costs. And a family of four would save as much as \$2,300 on their premiums in 2014 compared to what they would have paid without the law.

## Can I be hit with an extra tax because of all this?

There are no new taxes on small employers in the law. The health care law does not require any business to provide health insurance for their employees. However, starting in 2014, a large employer may have to pay an assessment if it does not offer affordable insurance and one of its employees gets tax credits to purchase insurance in the Exchange. These assessments do not apply to businesses with less than 50 employees.

Large employers that do not offer health benefits coverage at all may be required to pay an assessment of \$2,000 per year for each full-time employee, excluding the first 30 full-time employees. Larger employers that do offer health benefits coverage that is unaffordable or lacks minimum value may be assessed a payment of \$3,000 per year for each full-time employee receiving federal financial assistance. However, this payment cannot exceed the assessment the business would pay if it did not offer health care coverage.

**Note:** the U. S. Department of Health and Human Services estimates that fewer than 2% of large American employers will have to pay these assessments.

## **What about “high cost” or “cadillac” health plans? As an employer, will I end up paying more because of a new tax on them?**

Beginning in 2018, a new federal excise tax will be assessed on insurance companies for health plans that are extremely expensive (in excess of \$10,200 for self-only coverage, \$27,500 for families). Between now and then, employers can adapt those plans so that this excise tax will not apply.

**It’s likely that future packages will be adjusted so they don’t meet these tax triggers.**

## **What is the “individual mandate”?**

The minimum coverage provision is sometimes referred to as the “individual mandate.” Increasing the number of Americans with coverage will help cut down on the “hidden tax” people with insurance pay to support the cost of caring for those who don’t have insurance. People with very low income or with premiums that are unaffordable will be exempt from paying a modest penalty for failing to have health benefits coverage; so will other groups, such as people who have only short gaps in health benefits coverage. The Congressional Budget Office estimated that only 1 percent of all Americans would pay a penalty for not having health insurance in 2016.

*More Info on  
the Exchanges*



An Affordable Insurance Exchange is a new, competitive marketplace where families and small business owners will be able to shop for private health insurance. Starting in 2014, the Exchanges will allow you to compare qualified health plans, get answers to questions, find out if you are eligible for tax credits for private insurance or health programs such as Medicaid, and enroll in a health plan that meets your needs.

Members of Congress and their staff will be required to get their insurance from the Exchanges, too.

For small employers, this is a way to level the playing field, so that small employers can have a better choice of plans and insurers at a lower cost, the way larger employers do now.

The number of employees you can have and still be eligible to shop in your State Exchange steadily increases. In 2014 and 2015 it is up to 50, and may be up to 100 in a state that elects to open to Exchange to more smaller employers; in 2016 it is up to 100 employees. Starting in 2017, States can choose to allow even larger employers to purchase their plans through the Exchanges.

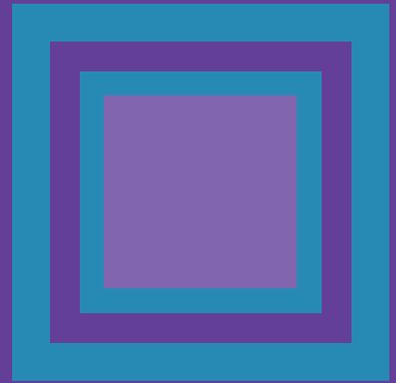
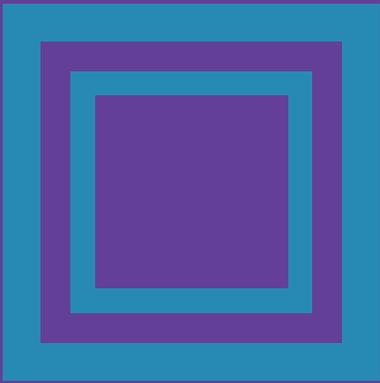
You can buy insurance through your State Exchange or from an insurance company, but the tax credits in the law to help pay for insurance, including the small business tax credit, will be available only if you purchase through your State Exchange. You will also still be able to “self-insure.”

*Learn More*



- General Information: [www.healthcare.gov/small-business](http://www.healthcare.gov/small-business)
- The tax credit: [www.irs.gov/sbhtc](http://www.irs.gov/sbhtc)
- Finding coverage now: [finder.healthcare.gov](http://finder.healthcare.gov) lets you find insurance options for your company by exploring your coverage and pricing options
- Prevention and wellness provisions of the law that may affect you and your family: [www.healthcare.gov](http://www.healthcare.gov)





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