

Make Way for ObamaCare

What health care reform means for your small business

By Phillip M. Perry

The most comprehensive health insurance reform since Medicare is now the law of the land. The Patient Protection and Affordable Care Act (PPACA), signed into law by President Barack Obama, touches every aspect of health care in the United States.

How does the law affect you? Will your premiums go down? Will it be easier to shop for insurance? Rightfully, these questions and more are on the minds of small business owners across the nation, and we'll answer them here. But, here's one thing to get out of the way first: No employer will be *required* to provide health insurance under this new law. However, some employers, as you will see, will pay penalties if they do not provide insurance and their employees decide to buy insurance from the new state-run insurance pools.

Small is Good

Here's some good news: The PPACA contains some benefits geared specifically to the needs of small employers. "I think the legislation is really looking out for the smallest of small businesses," says Shawn Nowicki, director of health policy at New York Business Group on Health (NYBGH), a coalition of 175 employers, unions and health care providers in New York, Connecticut and New Jersey. How so? Right out of the gate the bill provides a tax break. Consider the following questions: Do you have 25 or fewer full-time employees? Are their average annual wages less than \$50,000? And do you contribute more than 50 percent of your employees' total premium costs?

If your answers to those three questions are "yes," then you might receive some assistance with your premiums, thanks to a tax credit of up to 35 percent of your contribution toward your employees' health insurance for this tax year through 2013. The credit will increase to up to 50 percent for tax years 2014 and 2015. For this year through 2013, the full tax credit is available to employers with fewer than 10 employees whose average annual wages are less than \$25,000. The

tax credit gradually scales down as workforce size and average wages increase.

Here's an example. Suppose your business employs 10 full-time workers and their average wages are \$25,000. If your annual employer health care costs are \$70,000, then you are entitled to a \$24,500 credit each year for 2010 through 2013. Starting in 2014 the credit will be \$35,000.

Businesses with 50 or fewer employees benefit from another tax-related benefit: They may opt out of providing insurance with no penalties. Got more than 50 employees? As is the case with smaller businesses, you are not required to offer health insurance. However, if you do opt out and it happens that one or more of your employees goes to the new state insurance pools to purchase coverage, you will pay a fee of \$2,000 per full-time employee, excluding the first 30 employees from the assessment.

More Choice

Tax credits are one thing. Getting enough choice in the insurance policy marketplace is another. Too often, small business owners are faced with limited options:



Maybe they have only one or two carriers who will talk with them. And negotiating for lower premiums or better benefits? Forget it.

That's expected to change with the network of state-level insurance exchanges slated to begin in 2014. "The exchanges will make buying insurance a lot easier for small business owners, and thus reduce the administrative burden," says Terry Gardiner, national policy director for the Washington, D.C.-based advocacy group Small Business Majority. "Right now the employer has to get a broker, shop for policies, analyze them and then attempt to negotiate better rates from a weak bargaining position."

Things should be much easier with the exchanges in place, says Gardiner. "The exchanges will negotiate with insurance companies on behalf of all small businesses and come up with the best deals they can find. All the employer will have to do is figure out a budget, then say 'Here is the amount I will contribute toward premiums and here is the employees' share.' The employees can then go to the exchanges and select what plan they want." Policies will be available for each of five benefit tier levels.

Broader Coverage

Greater choice of plans is a big plus. And overall plan quality should also improve. Too often small businesses have had to settle for substandard plans that don't go anywhere near matching the coverage of plans available to big businesses. That can make it difficult for small employers to compete for the best talent.

The new law changes that: Carriers are required to comply with minimum standards that erase some perceived abuses of years past. Here are some examples of the new parameters effective this year:

- A requirement that all policies cover children younger than 19 with pre-existing conditions. That mandate extends to all adults in 2014.
- A ban on lifetime dollar limits.
- Elimination of rescission, the practice of canceling coverage after someone gets sick.
- A requirement to extend coverage to age 26 for dependent children.

The legislation prohibits the practice of raising premiums when workers get sick. Carriers will be allowed to adjust rates only by factoring family composition, tobacco use, age and employer location. That should eliminate the sudden premium spikes that small employers often experience. This reform bill will reduce such dramatic changes because everyone will be in one large pool. Ultimately, this should encourage worker mobility and make it easier for small businesses to compete for top talent.

The Challenge Ahead

Premiums represent a top-of-mind cost for every

employer, but don't overlook a hidden expense: The administrative overhead required to understand and comply with the law.

"People might not think about it, but there is a hidden cost in terms of labor and time required to manage all the changes required by the legislation," says Cynthia A. Van Bogaert, partner and employee benefits attorney at the law firm Boardman, Suhr, Curry & Field in Madison, Wis. "Employers will have to learn about the requirements of the legislation and monitor additional guidance from agencies such as the U.S. Department of Health and Human Services."

It can all seem like a big headache at a time when businesses are already reeling from the effects of the severe recession. "Employers are all groaning at the thought of administering health insurance under this new legislation," says Joan Smyth, partner at New York-based Mercer Consulting Firm. "Some are saying, 'Maybe it's easier to just pay the penalty [required of larger employers who do not provide insurance] and let employees buy whatever they want.'"

Nevertheless, Gardiner feels that the legislation in its current form was a necessary first step. "Yes, it will cost more to cover people," says Gardiner. "But we cannot keep going down the road where we have 47 million people uninsured who are utilizing the emergency rooms."

End Game

Now, let's tackle those questions that opened this article: Will your premiums go down? Yes, if you are one of the many small employers hit by huge price increases because of an uncompetitive marketplace or a serious illness by one employee. Perhaps only modestly, if at all, if you are a larger employer, in which case you may be pleasantly surprised at the greater "bang for the buck" you get in terms of more comprehensive care that you are able to obtain for you, your family and your workers.

Will it be easier to shop for policies? Yes, once the state exchanges are up and running. Will the quality of the policies be higher in terms of coverage? Yes, this is a given. Will you be protected from those profit-busting price hikes that so often occur when one employee in a small group gets seriously ill? Yes, this illness will be cured by the legislation.

"The scope of what the government has done with this legislation is big," says attorney Bogaert. "It has attempted to put a lot of moving pieces together, to weed out inefficiencies in the market and to create state-wide buying exchanges. Time will tell how much impact this has on employers." ■

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