

Your Bottom Line: What the Affordable Care Act Means For Your Illinois Small Business

Small Business Majority
November 2013

About Small Business Majority



- **Small business advocacy organization** – founded and run by small business owners
- **National** – offices in Washington, DC, Virginia, Ohio, Oregon, Colorado, Missouri, New York and California
- **Research and advocacy** on issues of top importance to small businesses (<100 employees) and self-employed, including healthcare, taxes, access to capital, clean energy and more
- Very focused on **outreach to and education** of small business owners across the country

Small businesses struggling with costs



- ❗ Soaring **cost** of insurance – especially for small businesses – 25% of small business owners are uninsured (*2012 Kaiser study*)
- ❗ 28% **self-employed**: not covered
- ❗ Small firms pay **18% more** than large businesses

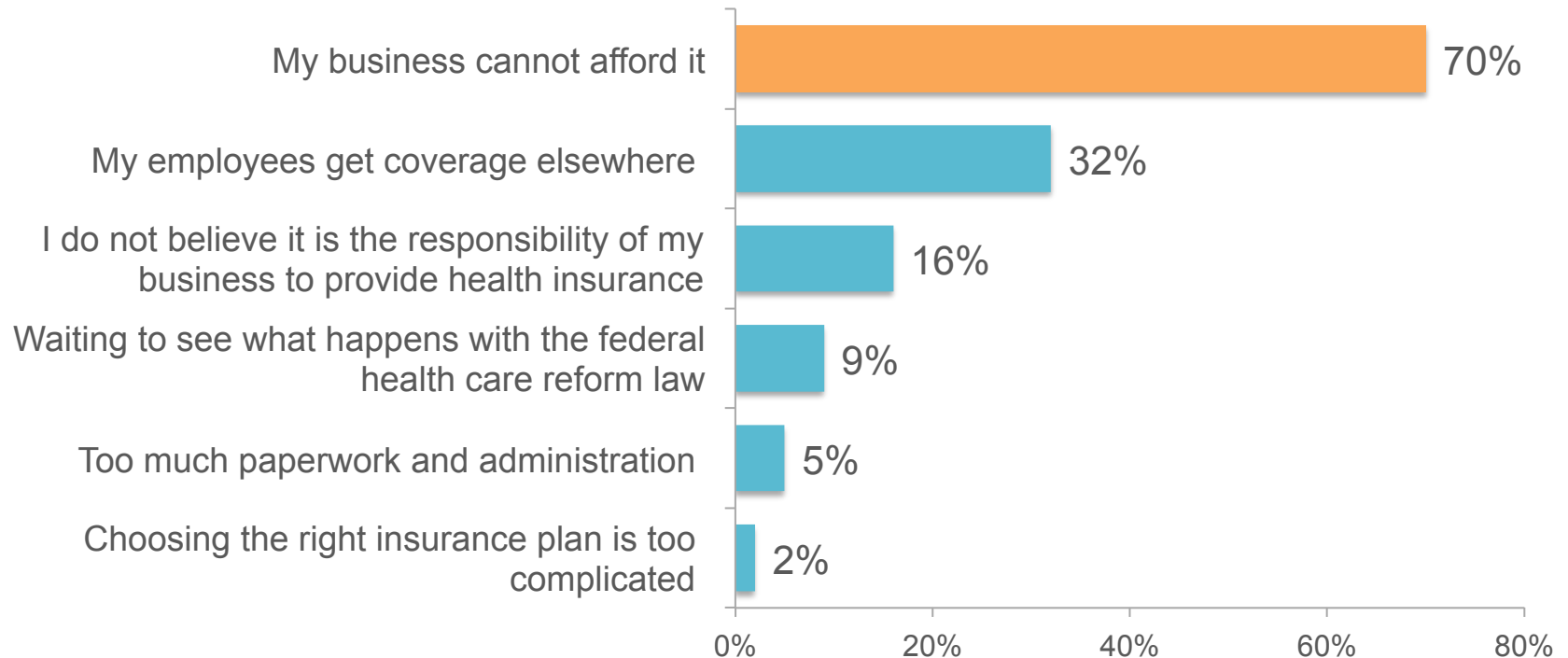
Our national study: Small business health costs would **more than double** by 2018 to **\$2.4 trillion** without reform

Small businesses struggling with costs



Small Business Majority opinion survey: Small employers who don't offer coverage say **lack of affordability** is the biggest reason (70%)

Which one or two of the following best describes the reasons you do not provide health benefits?

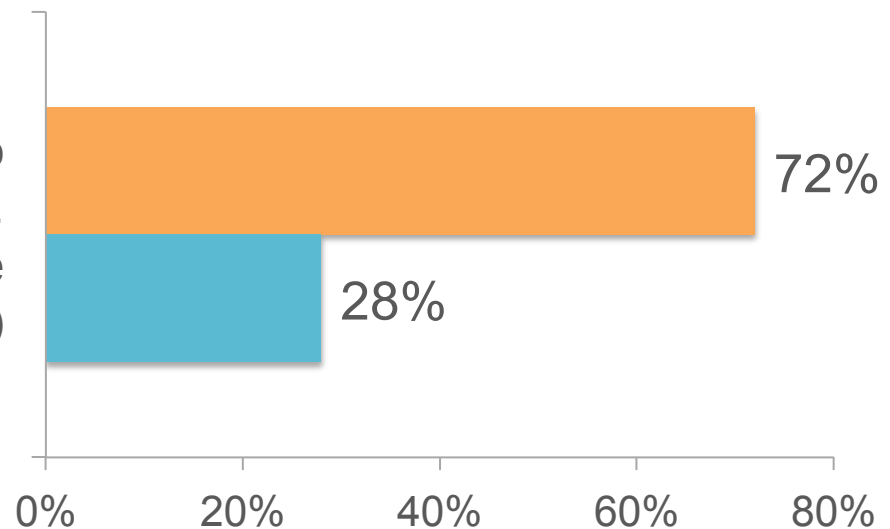


Small businesses struggling with costs



Small Business Majority opinion poll: 72% of those who do offer say they are **struggling** to do so

My business is really struggling to afford the cost of health coverage.
(Asked of those who do provide coverage)



The Affordable Care Act



- Builds on **existing healthcare system**
- Aims to **rein in healthcare costs**
- **Upheld** by **U.S. Supreme Court**
- **Implementation** primarily the responsibility of the states (small business input essential)
- Some important benefits went into effect **immediately**
- Others implemented from **2010-2014**



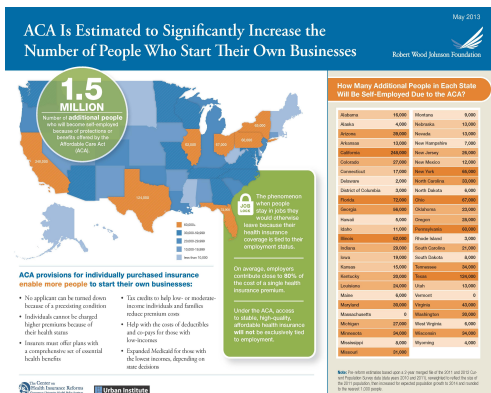
ACA help ends “job lock”



Job lock (n): the inability of an employee to leave a job because doing so will result in the loss of.

- Small Business Majority 2009 economic report by MIT professor Jonathan Gruber:
- **1.6 million small business workers suffer job lock**—roughly one in 16 people currently insured by their employers.

- May 2013 Robert Wood Johnson Foundation report:
- Access to high-quality, subsidized health insurance will no longer be exclusively tied to employment, which could lead people to pursue their own businesses.
- **The number of self-employed Americans will be 1.5 million higher in 2014 because of the ACA.**



Immediate consumer protections



- Insurers will no longer be able to deny coverage for patients with **pre-existing conditions** (2010 for kids, 2014 for adults)
- Ban on **lifetime caps** that set lifetime limits on coverage
 - Already, 105 M Americans will not have to worry about hitting those limits.
- **Adult children** under 26 can stay on their parents' plan (Sept. 23, 2010)
 - As of December 2011, 3.1M nationwide have been able to keep their insurance.



Immediate consumer protections



- Health plans **can't drop coverage** when someone gets sick, or if a mistake is made on their paperwork
- First-dollar coverage for **preventive care** for all new plans
 - In 2011 and 2012, 71 million Americans, with private health insurance gained preventative service coverage with no cost sharing.
- Increased access to care: **community health centers**
 - 1,200 health centers operating nearly 9,000 service delivery sites have received increased funding to expand; provide more than 21M patients nationwide increased access to basic healthcare.



Key provisions for small businesses



- **Immediate tax credits** for most small businesses
- Establishes **competitive marketplace** for small businesses (SHOP) and self-employed (individual)



Small business tax credits

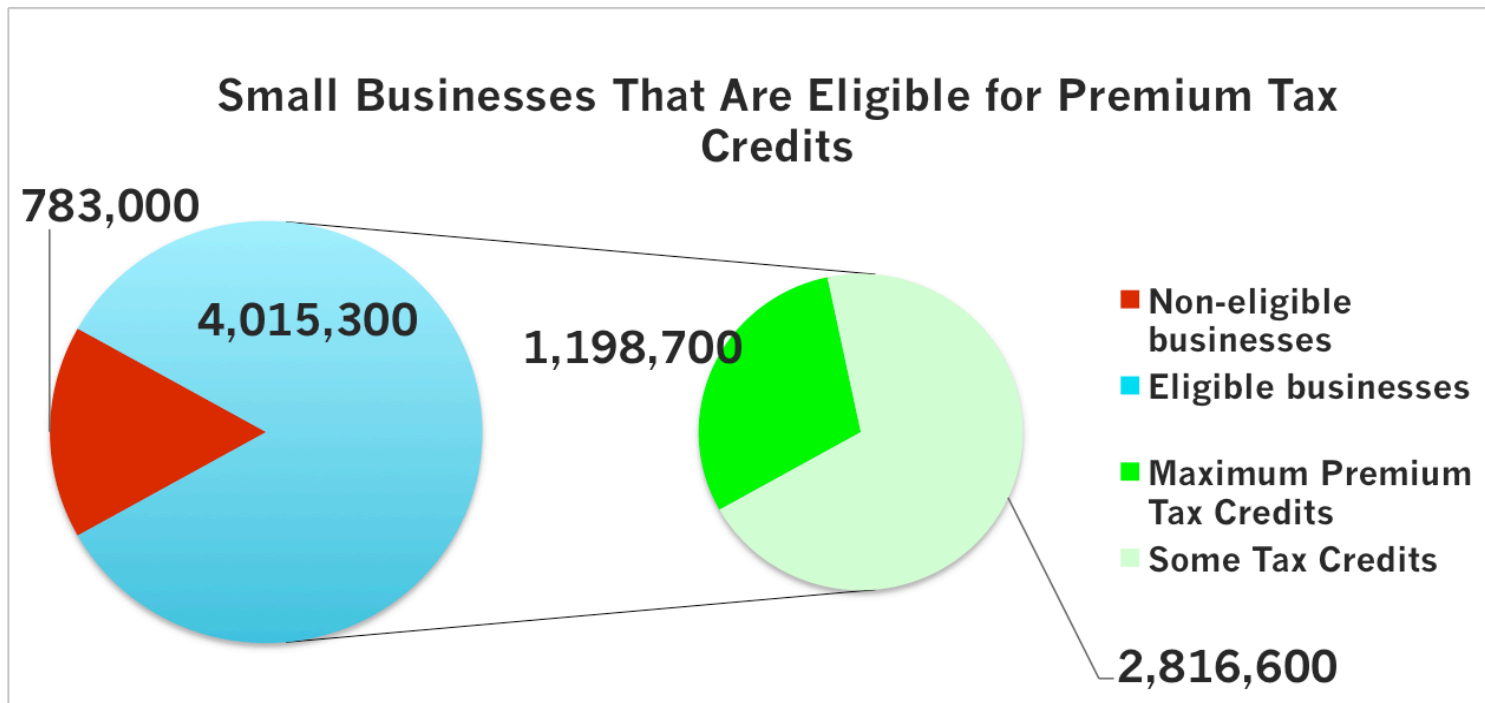


- Available to **businesses with employees**
- **Available now** (took effect tax year 2010)
- Which businesses are eligible?
 - Fewer than 25 full-time employees
 - Average annual wages <\$50,000
 - Employer pays at least 50% of the premium cost

Small business tax credits



Our report: More than 3.2 million small businesses are eligible (70.1% of all businesses); 1.3 million eligible for maximum credit



Small business tax credits



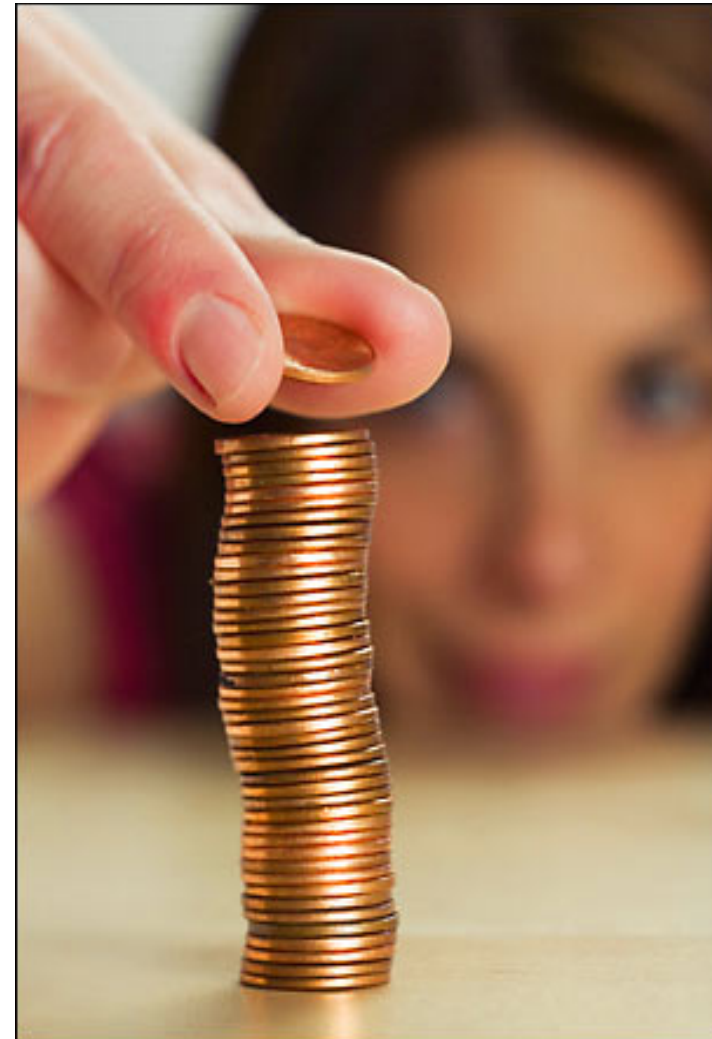
- **2 in 5** business owners who qualify eligible for max
- **19.3M employees** work for eligible businesses
- Total value of the credit for tax year 2011: **\$15.4B**
 - *An average of \$800 in savings per employee*



Small business tax credits




- Tax credits on a **sliding scale**:
 - Up to 35% 2010–13
 - Up to 50% any two years beginning in 2014
- Premium expenses: comprehensive medical coverage, incl. dental, vision, long-term care
- Tax credits do not cover premium expenses of owners or their families
- Can amend your taxes for past years



Nonprofits also eligible

- Tax credits on a **sliding scale**:
 - Up to 25% 2010–13
 - Up to 35% any two years (2014)
- Include amount on line 44f of Form 990-T

- 
- Does not have to be publicly reported
 - Refund for tax-exempt employers
 - Sequestration has affected 2013 levels, go to www.irs.gov/aca for more info

Example: Downtown Diner



Restaurant with 40 part-time employees

20 full-time-equivalent workers

Wages: \$500K or \$25K per FTE

Healthcare costs: \$240K

**\$28K (11.7% credit
phased out 2010-2013)**

**\$40K (16.7% credit
phased out 2014)**



How to claim the small business tax credit



- Small employers (businesses or tax-exempt) use [Form 8941](#), available on www.irs.gov
- Include amount of credit as part of general business credit on income tax returns
- Can be reflected in determining estimated tax payments for a year
- Applies toward income tax, not employment tax



SHOP insurance marketplace

Small Business Health Options Program



- Large **marketplace** to shop for health coverage in each state
- **Private** insurance plans **compete** for your business
- Who? Small Businesses with fewer than 50 full time employees
- Enrollment begins Oct 1, 2013
- Coverage begins January 1, 2014



RAND study: Expand coverage to **85.9% of small business employees** (60.4% today); an increase of **10.5 million workers**

- Small business workers and self-employed receive **affordability tax credits** (up to 400% of federal poverty level—appx \$90,000 for family of four)
- Ensure **more \$\$ to medical care** – reduced administrative costs
- Incentives for **administrative efficiency and modernization**
- **Reduce hidden tax**



Size of American businesses



- Kaiser Family Foundation:
 - 4.8M businesses with **fewer than 50 employees** (35.7%) offer health insurance
 - 1.7M businesses with **50 or more employees** (95.7%) offer health insurance.

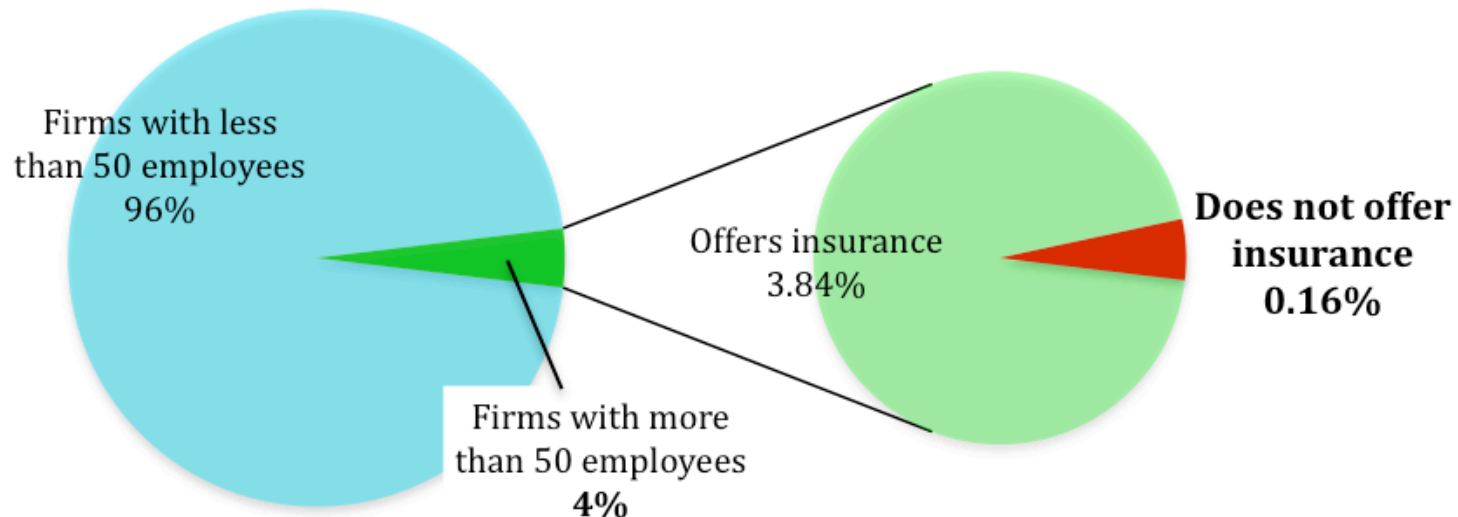
Small Business Majority and Kaiser Permanente poll:

After learning about features in the marketplace, percentage of California small business owners who said they'd be likely to offer insurance jumped from 32% offering to 42%

Employer Shared Responsibility requirement



- Applies only to larger employers, starting in 2015
- Businesses with **fewer than 50 full-time workers** – 96% of all businesses – are **exempt** from any requirement to offer insurance



For larger employers



- Am I above or below 50 full-time employees?
 - At least 50 full-time employees or combination of full-time/part-time employees equivalent to 50 full-time employees
 - Full-time employees: at least 30 hours per week
 - Part-time employees: at least 15 hours a week
 - Seasonal employees (≤ 120 days per year)
- Size determined **annually**
- Amount owed determined **monthly**



For larger employers



- Potential requirements for larger employers (those with more than 50 employees):
 - Failing to offer coverage- \$2,000 for each full-time employee per year, excluding the first 30 full-time employees
 - Failing to offer affordable coverage that provides minimum value- \$3,000 per year for each full-time employee receiving federal financial assistance in marketplace
- What does it mean to be affordable and meet minimum value?
- Affordability penalty cannot exceed that of failing to offer coverage. Business will pay lesser of the two

What now?

Individuals & self-employed



Individuals can purchase coverage for themselves, families, dependents on your state's individual marketplace

- Plans organized by metal level; varying levels, premiums, out-of-pocket costs
 - Bronze – lower premium, higher out-of-pocket costs
 - Platinum – highest premiums, lowest out-of-pocket costs
- All plans have same set of essential health benefits: package of items and services in 10 categories

Individual Shared Responsibility requirement



If someone who can afford insurance doesn't have coverage by March 31, 2014, they may have to pay a fee.

- Starts in 2014 at 1% of yearly income or \$95/year, whichever higher
- Increases to 2.5% of income or \$695/person, whichever higher
- Paid on the 2014 income tax form, filed in 2015
- Some people may qualify for waivers:
 - Low-income individuals not filing tax returns
 - Uninsured for less than 3 months/year
 - Would qualify for Medicaid but state has chosen not to expand
 - Members of federally recognized Native America tribes and others

Helping keep costs low



Most eligible for some financial assistance, if purchase through individual marketplace

- Financial assistance on sliding scale (household income 100% to 400% of Federal Poverty Level)
- Some low-income families eligible for cost sharing reductions
- Marketplace will calculate eligibility and manage the premium adjustments

- Insurance market in each state calculate eligibility for advance premium tax credits, Medicaid, Medicare or SCHIP during application process



Helping keep costs low



Example: Family of 4; 2 45-year-old adults, 2 children under 20, \$80,000 annual household income

- Unsubsidized insurance premium, **silver plan through individual marketplace** = \$12,549/yr or \$1,045.75/mo
- Eligible for **premium assistance** at 340% FPL = \$4,949 credit (\$412/mo)

Total out-of-pocket cost = \$7,600 in 2014 or \$633/mo

Kaiser Family Foundation Premium Assistance Calculator

<http://kff.org/interactive/subsidy-calculator/>



Employer Shared Responsibility requirement



- Am I above or below 50 full-time employee threshold?
- Size determined **annually**; amount owed determined **monthly**
- Potential requirements:
 - Failing to offer coverage- \$2,000 for each full-time employee per year, excluding the first 30 full-time employees
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- What does it mean to be affordable and meet minimum value?



Employee notifications



www.dol.gov/ebsa/healthreform

- Many employers are required by the Fair Labor Standards Act (FLSA) to notify employees of coverage options available through the Insurance Marketplace.
- Notifications to existing employees must be out by Oct 1, 2013 and all new employees beginning Oct 1 should receive this notice.



New Health Insurance Marketplace Coverage Options and Your Health Coverage

Form Approved
OMB No. 1210-0149
(expires 11-30-2013)

PART A: General Information

When key parts of the health care law take effect in 2014, there will be a new way to buy health insurance: the Health Insurance Marketplace. To assist you as you evaluate options for you and your family, this notice provides some basic information about the new Marketplace and employment-based health coverage offered by your employer.

What is the Health Insurance Marketplace?

The Marketplace is designed to help you find health insurance that meets your needs and fits your budget. The Marketplace offers "one-stop shopping" to find and compare private health insurance options. You may also be eligible for a new kind of tax credit that lowers your monthly premium right away. Open enrollment for health insurance coverage through the Marketplace begins in October 2013 for coverage starting as early as January 1, 2014.

Can I Save Money on my Health Insurance Premiums in the Marketplace?

You may qualify to save money and lower your monthly premium, but only if your employer does not offer coverage, or offers coverage that doesn't meet certain standards. The savings on your premium that you're eligible for depends on your household income.

Does Employer Health Coverage Affect Eligibility for Premium Savings through the Marketplace?

Yes. If you have an offer of health coverage from your employer that meets certain standards, you will not be eligible

- Two notices available: one for employers who do offer coverage, one for employers who do not.

What next? Timeline



Oct. 1, 2013 – Marketplaces open for business (SHOP, individual)

Jan. 1, 2014 – Coverage begins

For individuals and self-employed:

- March 31, 2014 – **End of open enrollment.** Individuals won't have opportunity to enroll until Oct. 1, 2014, with coverage starting January 2015

For small employers:

- Employee notification – Ongoing starting Oct. 1, 2013
- Enrollment in SHOP rolling on a monthly basis; doesn't end after March 2014



Resources for small businesses



- Objective website dedicated to small businesses and healthcare, run by SBM
- Provides step-by-step information on how to navigate healthcare market with ACA taking full effect Jan., 2014
- Includes FAQ about how the ACA impacts small businesses
- Tools such as calculator to estimate tax credits for small businesses



- Interactive website dedicated to the ACA, run by HHS
- State specific information on SHOP marketplaces
- Calculators for FTEs, types of coverage, compare your existing coverage
- Oct. 1, 2013 and beyond: buy health insurance right here

SHOP Call Center
1-800-706-7893

Resources



- National HHS website: www.healthcare.gov
- SBM Missouri Health Coverage Guide: www.missouri.healthcoverageguide.org
- Our website: www.smallbusinessmajority.org
 - “What’s in the Healthcare Law for Small Businesses”
 - Healthcare Policy Page
 - Detailed FAQ
 - Tax credit calculator



Get involved, stay informed



Small Business Majority

- Emma Hollister, Network Manager
 - Email: ehollister@smallbusinessmajority.org
 - Direct: (202) 828-8357
 - Monthly newsletters, share your story, Op-Eds and LTEs
 - Roundtables, educational webinars

