



HEALTH REFORM SUMMARY

PATIENT PROTECTION & AFFORDABLE CARE ACT

Small Business Health Reform Summary | Patient Protection and Affordable Care Act

On March 23, 2010 President Obama signed into law the Patient Protection and Affordable Care Act of 2010 (PPACA), the largest expansion of the public health care system since the passage of legislation in 1965 that created the Medicare and Medicaid programs. This HealthPass policy brief outlines the provisions that affect small businesses, both in the near- and long-term.

KEY SMALL BUSINESS HEALTH REFORM PROVISIONS

EMPLOYER COVERAGE REQUIREMENT (MANDATE)

- All employers with **50 or fewer employees are exempt** from any and all employer coverage mandates and related penalties
- Employers with 51 or more employees are subject to penalties if they don't meet certain requirements, as described below.
- In calculating the number of employees and penalties, only full-time employees are counted
 - o Full-time employment is considered as a worker who is employed on average for at least 30 hours per week
 - o Seasonal workers who provide less than 120 days during a tax year are exempt from the employee calculation

Employers that **DO NOT** provide coverage

- Effective January 1, 2014
- Employers with 50 or more employees that **do not provide health coverage** will be assessed \$2,000 for **each** full-time employee in its workforce
- Penalty calculation excludes first 30 full-time employees
- For **example**, a firm with 80 employees would pay a (\$2,000 x 50 EE's =) \$100,000 annual penalty or \$8,333 per month

Employers that **DO** provide coverage

- Effective January 1, 2014
- Employers that do provide coverage and have one or more full-time workers qualifying for a premium tax credit or a cost-sharing reduction will pay **the lesser** of \$3,000 (\$250 per month) for each employee receiving a premium credit or reduction OR \$2,000 for each full-time employee in the firm
- Penalty calculation excludes first 30 full-time employees
- For **example**, a firm with 80 total employees, 10 of which receive a credit or reduction would be faced with paying either:
 - o \$2,000 x 50 total full-time EE's = \$100,000 per year vs.
 - o \$3,000 x 10 full-time EE's receiving a credit or reduction = **\$30,000 per year**

INDIVIDUAL REQUIREMENTS (MANDATE)

- U.S. citizens and legal residents without qualifying health coverage pay a tax penalty of the **greater of \$695 per year** (up to a maximum of three times that amount - \$2,085) per family **or 2.5% of household income**.
- The penalty will be phased-in according to the following schedule:
 - o **\$95 or 1%** in 2014
 - o **\$325 or 2%** in 2015,
 - o **\$695 or 2.5%** in 2016
- **Exemptions** will be granted for financial hardship, religious objections, American Indians, those without coverage for less than three months, undocumented immigrants, incarcerated individuals, those for whom the lowest cost plan option exceeds 8% of an individual's income, and those with incomes below the tax filing threshold

SMALL BUSINESS HEALTH CARE TAX CREDITS	
<ul style="list-style-type: none"> Employers that provide health coverage and have 25 or fewer employees as well as average annual wages of less than \$50,000 will be provided a tax credit Employer must contribute at least 50% of premium costs Both taxable and non-taxable (non-profit) firms qualify Generally, owners (and their families) of small businesses do not count as employees for purposes of determining eligibility for the credit 	
Phase 1	<ul style="list-style-type: none"> Until health insurance exchanges are established in 2014, tax credits of up to 35% of the employer's contribution towards the employee's health insurance premium if the employer contributes at least 50% of the total premium cost will be provided. The full 35% credit will be available to employers with 10 or fewer employees and average annual wages of less than \$25,000 The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for firms with the equivalent of between 10 and 25 full-time workers For tax years beginning in 2010 through 2013, the maximum credit for a tax-exempt qualified employer is 25% of the employer's premium expenses that count towards the credit
Phase 2	<ul style="list-style-type: none"> Beginning in 2014, eligible small businesses that purchaser coverage through the exchange may receive a tax credit up to 50% of the employer's contribution toward the employee's health insurance premium if the employer contributes at least 50% of the total premium costs The credit is claimable for two years A full 50% credit will be available to employers with 10 or fewer employees and average annual wages of less than \$25,000 The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for firms with the equivalent of between 10 and 25 full-time workers Employer must offer at least one qualified health plan through the exchange
HEALTH INSURANCE EXCHANGES	
Creation and structure of exchanges	<ul style="list-style-type: none"> Creates state-based health insurance exchanges – an "American Health Benefits Exchange" for individuals and "Small Business Health Options Program" (SHOP) exchanges for small businesses Businesses with more than 100 employees may begin purchasing coverage through exchanges beginning in 2017
PREMIUM CREDITS AND COST-SHARING SUBSIDIES TO INDIVIDUALS	
Premium credits	<ul style="list-style-type: none"> Effective January 1, 2014 Premium credits will be provided to eligible individuals and families with incomes between 133-400% FPL to purchase insurance through the exchanges The premium credits will be tied to the second lowest cost silver plan in the area and will be set on a sliding scale such that the premium contributions are limited to the following percentages of income for specified income levels: <ul style="list-style-type: none"> Up to 133% FPL: 2% of income 133-150% FPL: 3 – 4% of income 150-200% FPL: 4 – 6.3% of income 200-250% FPL: 6.3 – 8.05% of income 250-300% FPL: 8.05 – 9.5% of income 300-400% FPL: 9.5% of income
Cost-sharing subsidies	<ul style="list-style-type: none"> Provide cost-sharing subsidies to eligible individuals and families to reduce the cost-sharing amounts and annual cost-sharing limits Designed to increase the actuarial value of the basic benefit plan to the following percentages of the full value of the plan for the specified income level: <ul style="list-style-type: none"> 100-150% FPL: 94% 150-200% FPL: 85% 200-250% FPL: 73% 250-400% FPL: 70%
MEDICARE HOSPITAL INSURANCE TAX ON HIGH-EARNERS	
<ul style="list-style-type: none"> High-earner individuals with wages above \$200,000 (single return) or \$250,000 (joint return) would be subject to a 0.9 	

- **percent tax** on wages in excess of the thresholds. This is only applicable to the **employee portion of wages**
- High-earner individuals with total taxable income above \$200,000 (single return) or \$250,000 (joint return) from any source would be subject to a **3.8 percent tax on their net investment income** above the thresholds

INSURANCE MARKET REFORMS

LIFETIME BENEFIT LIMITS

- Group health plans are prohibited from placing **lifetime limits** on the dollar value of coverage

ANNUAL BENEFIT LIMITS

- Group health plans are prohibited from placing **annual limits** on the dollar value of coverage beginning in 2014
- Until 2014, the following annual limits are allowed:
 - **\$750,000** for a plan year beginning on or after September 23, 2010, but before September 23, 2011
 - **\$1.25 million** for a plan year beginning on or after September 23, 2011, but before Sept. 23, 2012
 - **\$2 million** for a plan year beginning on or after September 23, 2012, but before January 1, 2014

DEPENDENT COVERAGE

- Group health plans that offer dependent coverage are required to extend coverage to dependents through age 26 (i.e. loses eligibility once s/he turns 27)
- Applies to unmarried and married children, but not to married children's spouse nor primary subscriber's grandchildren
- Applies to all individual market plans and all non-grandfathered and new employer-based plans (small- and large-group)
- Beginning in 2014, children up to age 26 can remain on their parent's employer plan even if they have another offer of coverage through their own employer
- Employees may make cafeteria plan contributions for this benefit on a tax-free basis

PRE-EXISTING CONDITIONS

- Group health plans are required to cover pre-existing conditions for children age 19 and under
- For adults, group health plans are required to eliminate pre-existing condition clauses by 2014

PREVENTIVE SERVICES

- Group health plans are required to cover certain evidence-based preventive services with no cost-sharing
- Grandfathered plans are exempt
- The complete list can be found at: <http://www.healthcare.gov/center/regulations/prevention/taskforce.html>

PROHIBITION ON RESCISSIONS

- Group health plans are prohibited from rescinding coverage for a covered enrollee except in cases of fraud or intentional misrepresentation of a material fact.

PATIENT PROTECTIONS

- Group health plans are required to implement an effective internal and external claims appeals process
- The plan administrator or insurer must provide notice to employees, in a culturally and linguistically appropriate manner, of the availability of these appeals processes

ACCOUNT-BASED HEALTH INSURANCE

- Annual contributions to FSAs will be limited to \$2,500 starting in 2013 and indexes this amount by CPI starting in 2014
- The costs of over-the-counter prescription drugs not prescribed by a physician cannot be reimbursed through an HRA or health FSA or reimbursed on a tax-free basis through an HSA
- The tax on distributions from an HSA that are not used for qualified medical expenses increases from 10% to **20%**

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HealthPass New York is an independent, not-for-profit, commercial health insurance exchange offering small businesses and sole proprietors in the New York metropolitan area quality, affordable, and flexible health care coverage. The Commonwealth Fund, a health policy research foundation, cites HealthPass as one of "no more than a dozen Health exchanges [that] are thought to exist nationwide."

Since 1999, the HealthPass choice model has empowered employees to choose comprehensive health care coverage that fits their unique medical needs and budget. Employees can choose different benefit options from four leading carriers including two dental plans, and a bundled security product. HealthPass serves small businesses in 14 downstate New York counties – the five boroughs of New York City as well as Nassau, Suffolk, Westchester, Rockland, Orange, Dutchess, Putnam, Ulster, and Sullivan.