

Small Business Town Hall Meeting

Critical Employer Issues in the *Patient Protection* *and Affordable Care Act*

July 9, 2010®



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Improve Health Care

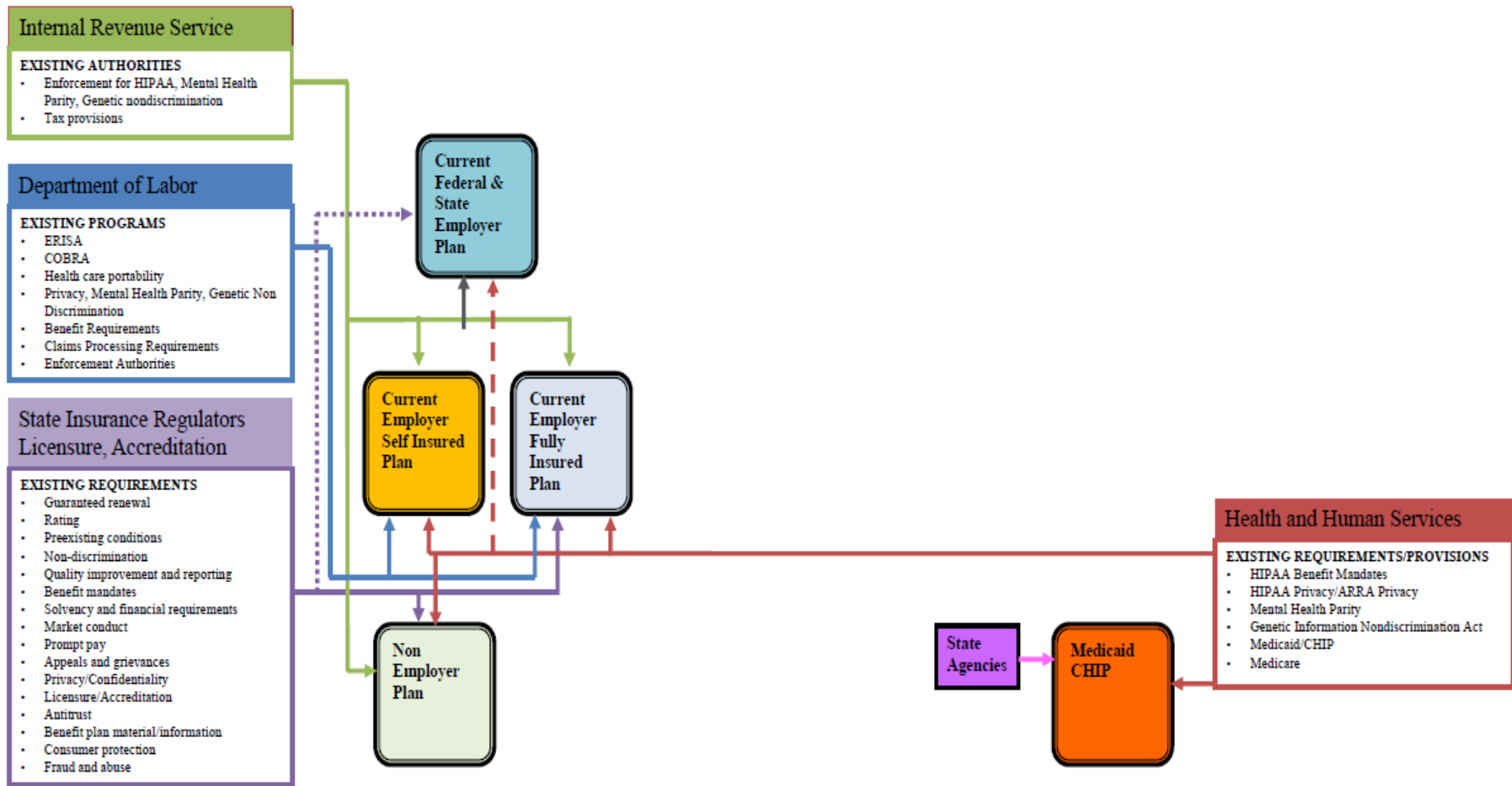
What We Are For

- Control spiraling health care costs
 - Emphasis on Prevention and Wellness
 - Pay for Performance
 - Small business purchasing pools (SBHP)
 - Health Information Technology
 - Medical Liability Reform
- Insurance Market Reforms
- Without risking a government takeover or imposing new mandates on business

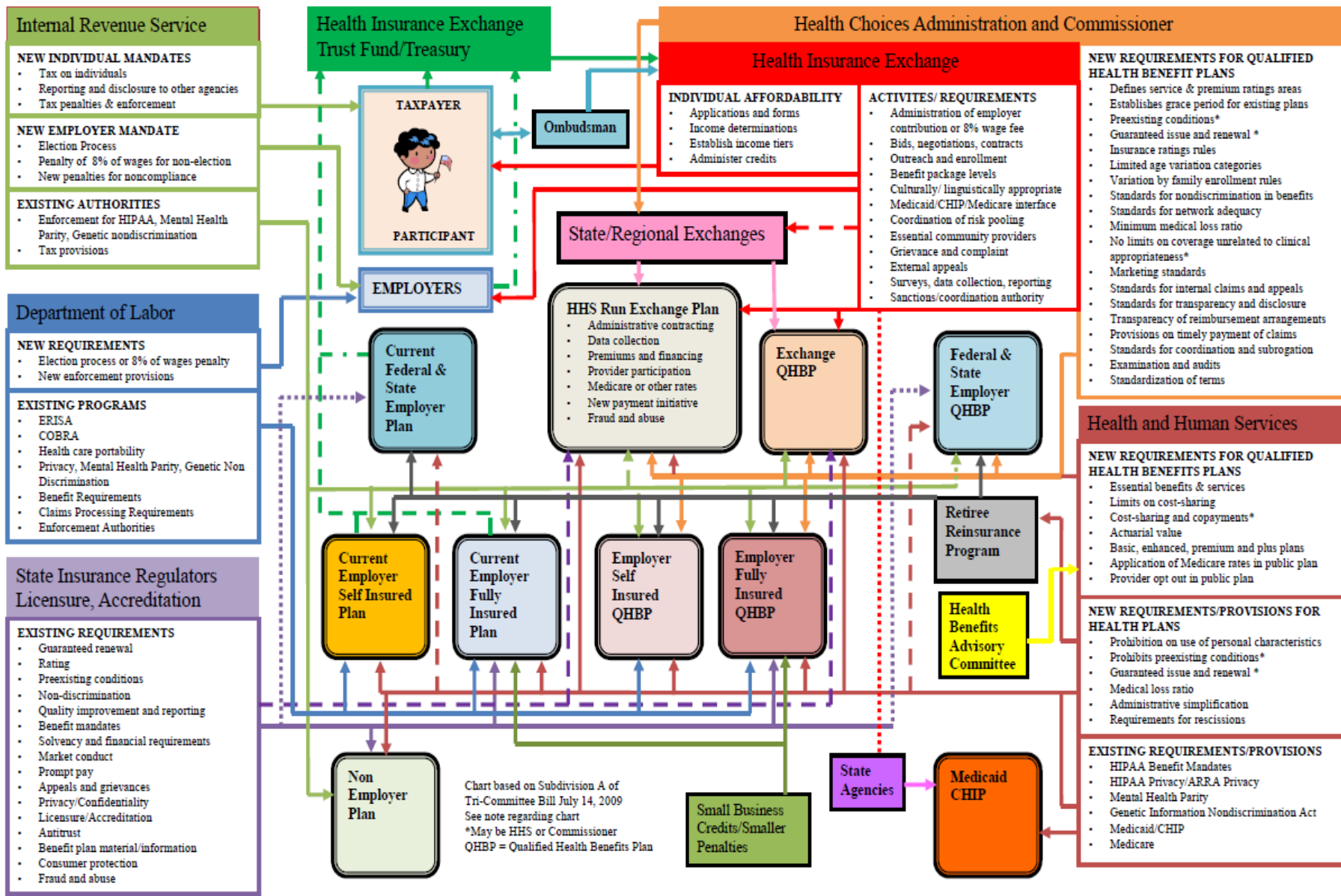


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Current Regulation of Health Plans



Government Regulation of Health Plans in House Healthcare Reform Bill



What's In The Bill?

Individual Mandate - Require all to have “acceptable” health insurance coverage. Enforced through penalty (2014)

Employer “Free Rider” Mandate – Fine for employers that do not offer coverage and have employees who receive premium subsidy (2014)

State Insurance Exchanges – Marketplace for individuals and small employers to purchase coverage (2014)

Subsidies – Refundable premium credits for those with incomes between 133-400% of poverty. Small business tax credits for employers with 25 or less employees.

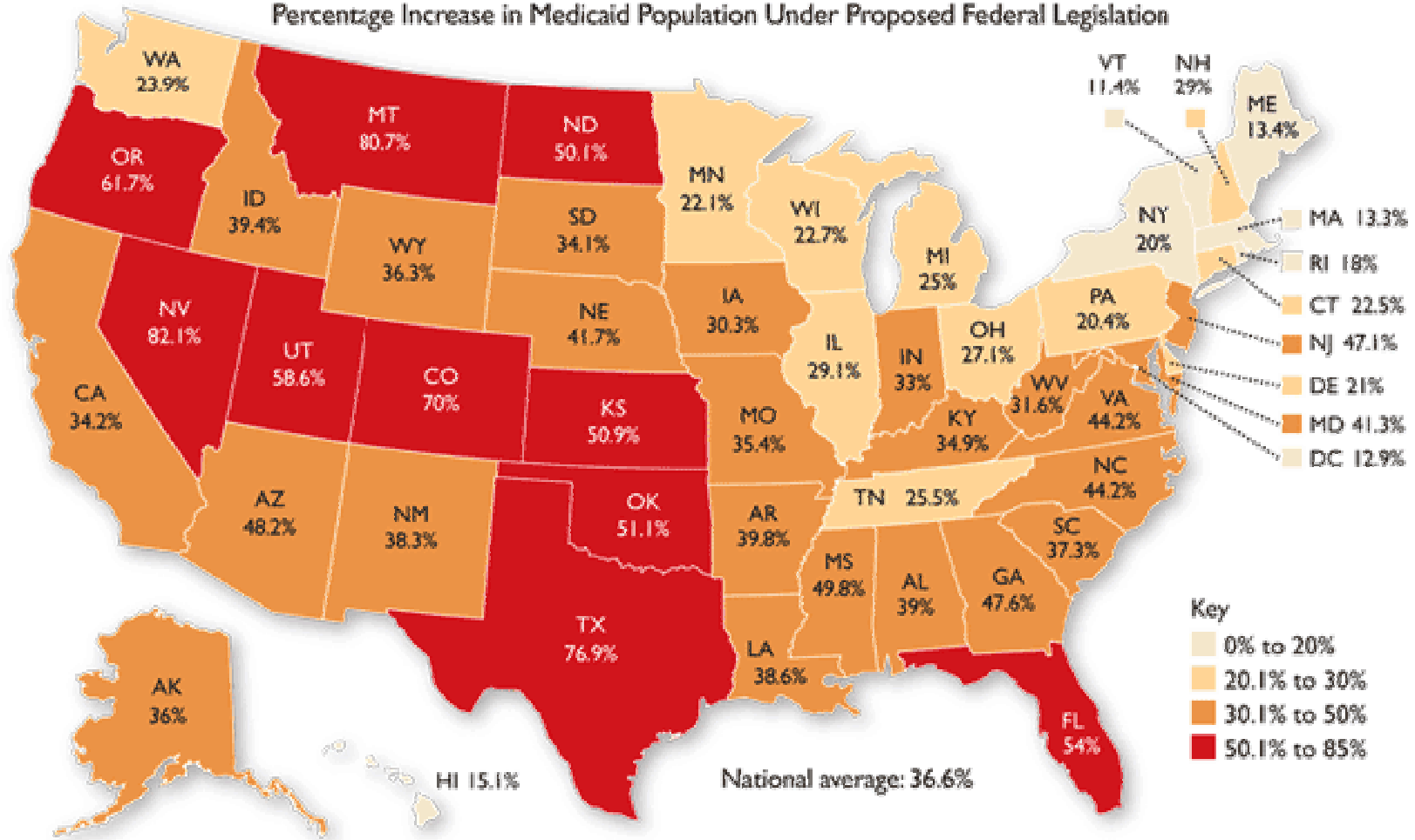
Expand Medicaid – Access to all individuals under 65 with incomes up to 133% of poverty = (\$14,000 ind./29,000 family) (2014)



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Health bills create Medicaid monsters

Percentage Increase in Medicaid Population Under Proposed Federal Legislation



Note: Figures for percentage increases were derived by dividing number of uninsured persons below 133 percent of the federal poverty line (FPL) by number of Medicaid enrollees in each state.

<http://blog.heritage.org/2009/10/07/does-obamacare-turn-your-state-into-a-medicaid-monster/>

What's In The Bill?

Minimum Benefits Package – Requires all health plans offered to provide at least the essential health benefits package and actuarial standards (2014)

Insurance Reforms: New regulations will seek to prevent health insurers from denying coverage to people for any reason.

Prohibit Rescinding of Coverage (unless fraud)

Prohibit Lifetime Limits on Coverage

Prohibit Preexisting Conditions for Children

Dependent Coverage for children up to age 26

Eliminate Annual Limits on Coverage

Cost: \$938 billion over 10 years with most new funding going to entitlement programs. Paid for through cuts Medicare/Medicaid and new taxes/fees.



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What's In The Bill?

Tax Changes / Revenue = \$569 billion

Tax on Individuals – without qualifying coverage (2014)

Tax on Employers – with employee receiving subsidy (2014)

Tax on Health Plans – “Cadillac” Tax (2018)

Tax on HSA Distributions - (Health Savings Accounts, 2011)

Cap FSA Contributions - (Flexible Spending Accounts, 2013)

Tax on Earned Income - .9% on incomes over \$200,000 (Medicare A, 2013)

Tax on Unearned Income - 3.8% on incomes over \$200,000 (Medicare B, 2013)

Tax on Pharmaceutical Industry - (2011)

Tax on Medical Device Industry – (2012)

Tax on Health Insurance Companies - (2014)

Tax on Tanning Services - (2010)



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Small Employer Considerations

Employer Mandate: Employers with less than 50 Full-Time Equivalents (FTE) are exempt from employer mandate

Subsidies: 25 employees or less with average workforce salary of \$50,000 or less eligible for **tax credits** through 2016

Exchanges: Small businesses with up to 100 employees will be able to purchase coverage through the Exchange



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Larger Employer Considerations

(More than 50 full time employees)

Employers who don't offer health insurance:

- No fines levied if all employees' incomes are over 400% of poverty (\$88,000 family of four).
- If any employee receives tax credit through exchange, fine is equal to **\$2,000 times the number of employees minus 30**. These penalties are also incurred if the employer is not offering a “qualified” health plan.



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Larger Employer Considerations

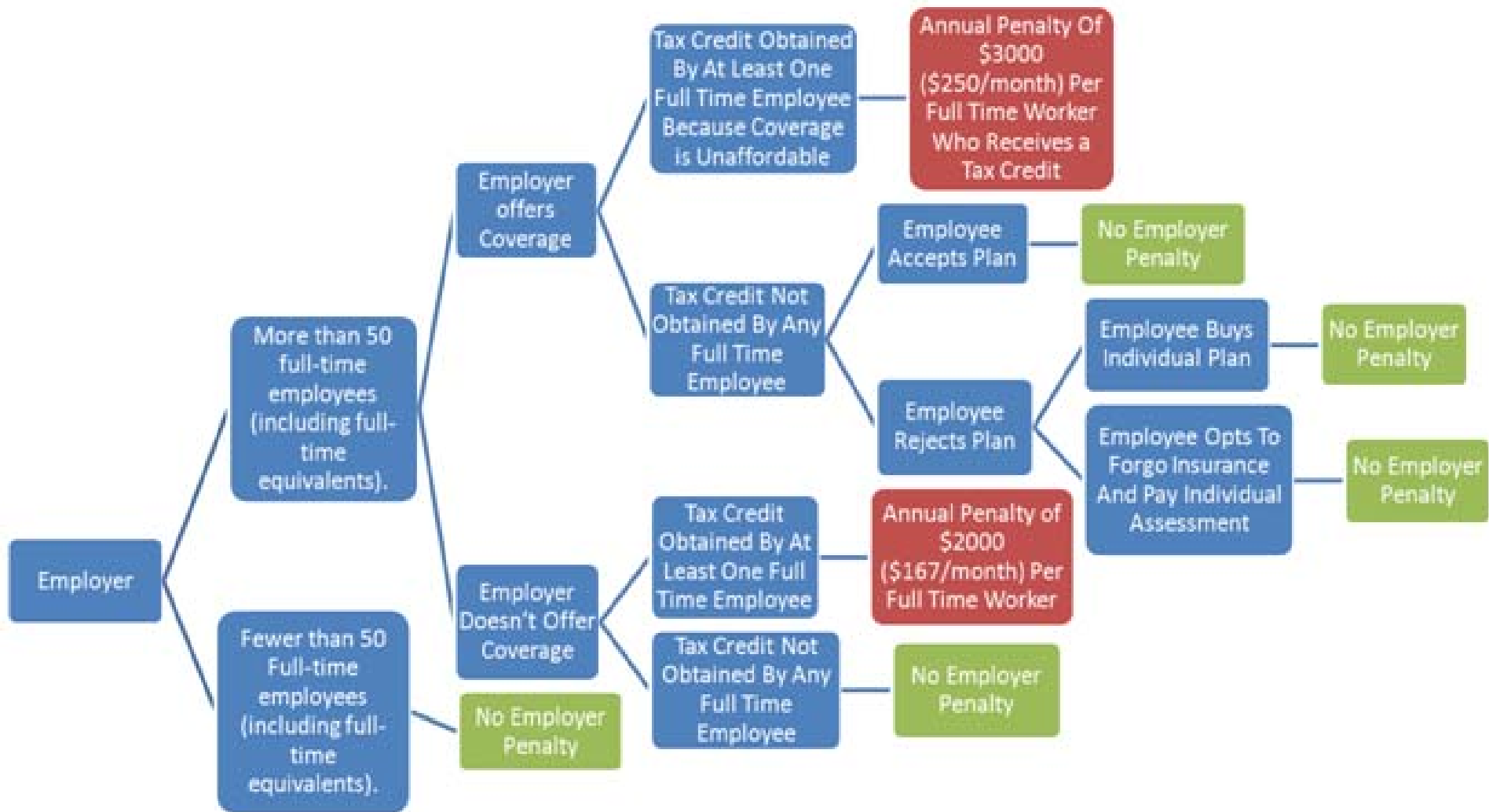
(More than 50 full time employees)

Employers that do offer health insurance:

- If coverage is not “affordable” (employee’s share more than 9.8% of income),
- and the employee goes into exchange (and gets tax credit)
- penalty is **\$3,000 for each employee who receives subsidy**



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Calculating FTEs

Jim's Auto Repair has 48 *full-time employees*, 3 *part-time employees* who work 20 hours a week, and 3 *part-time employees* who work 10 hours per week.

In 2014, the 3 *part-time, 20-hours-a-week employees* work for an aggregate of 240 hours per month, and the 3 *part-time 10-hours-a-week employees* work for an aggregate of 120 hours per month. Therefore, the total aggregate hours worked by *non-full-time employees* is 360.

The total aggregate hours of *non-full-time employees*, 360, is then divided by 120 to arrive at the number of *full-time-equivalent employees*, 3.


Jim's Auto Repair has 3 *full-time-equivalent employees* for a total of 51 *full-time employees* (3+48), and therefore is an applicable large employer subject to the law's mandate.



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Calculating the Penalty

In 2014, Betty's Wire Manufacturing fails to offer minimum essential coverage to its 100 full-time employees, 10 of whom receive a tax credit for the year for enrolling in a state exchange-offered plan.



For each employee over the 30-employee threshold, Betty's Wire Manufacturing owes \$2,000, for a total penalty of \$140,000 (\$2,000 multiplied by 70 (100-30)). The penalty is assessed on a monthly basis and equals \$11,667.



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Calculating Penalty

In 2014, John's Construction Company offers health coverage and has 100 full-time employees, 20 of whom receive a tax credit for the year for enrolling in a State Exchange offered plan.

For each employee receiving a tax credit, the employer owes \$3,000, for a total penalty of \$60,000 (20 times \$3,000).

The maximum penalty for this employer is capped at the amount of the penalty that it would have been assessed for a failure to provide coverage, or \$140,000 (\$2,000 multiplied by 70(100-30)).

Since the calculated penalty of \$60,000 is less than the maximum amount, Employer A pays the \$60,000 calculated penalty. The penalty is assessed on a monthly basis and equals \$5,000.



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Other Employer Considerations

“Cadillac Tax” – 40% tax on high-cost plans in 2018 after ERISA plans meet new higher cost mandates

Long-Term Care – New CLASS program in 2011 for employers to automatically enroll employees in long-term care benefits. Employees can “opt-out”

Changes in HSA, FSA and HDHP Accounts – New penalties, purchasing restrictions and contribution limits. Result is more expensive and less flexible for consumers

Retiree Prescription Drug Plans – In 2013, employers who receive 28% for RDP’s will no longer be able to deduct subsidy

Grandfathered Plans – Plans in place before March 23, 2010 are exempt from many but not all requirements (see handout)



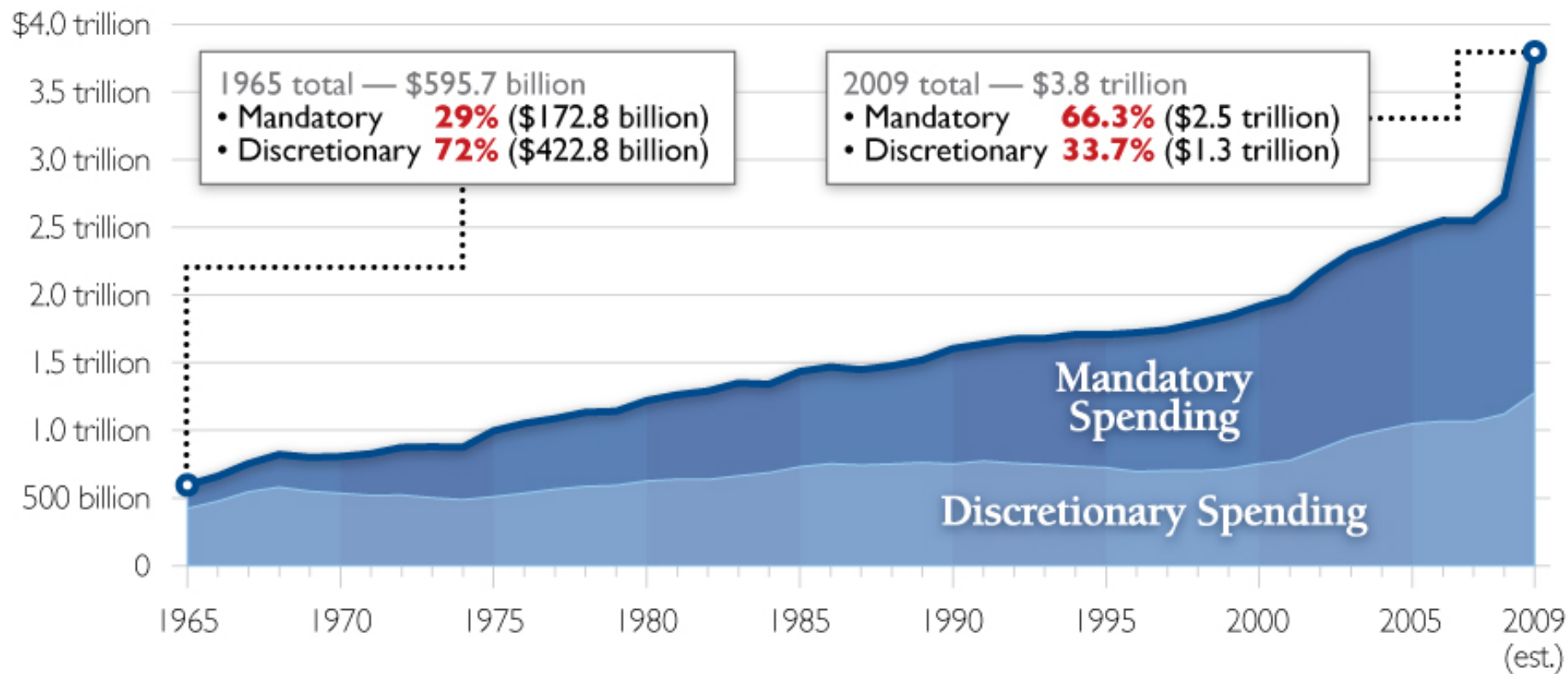
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What's Next on Health Care

- **Political** – 2 election years before 2014
- **Legislative** – Ongoing fixes in future Congresses. Opportunities to improve the law
- **Regulatory** – Guidance & Rulemaking by DOL, HHS, & IRS
 - New regulations on “Grandfathered Plans”
 - Essential Health Benefits Package
- **Legal** – Legal challenge; 19 states have filed suit on constitutionality

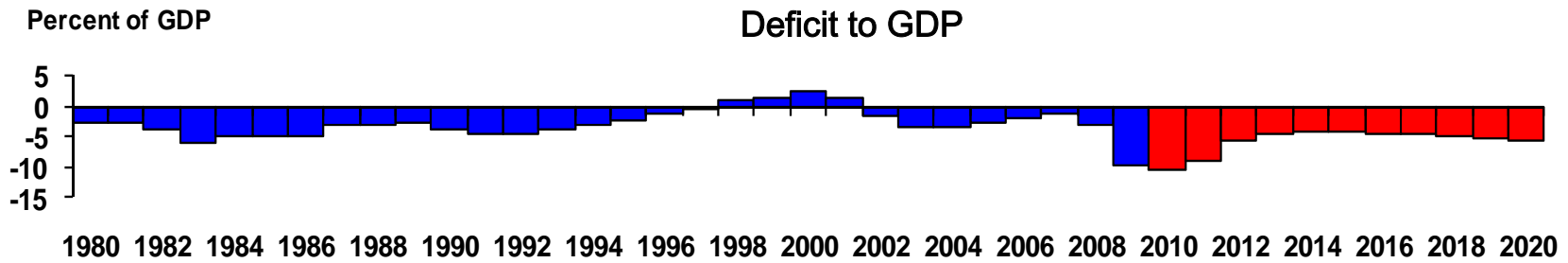
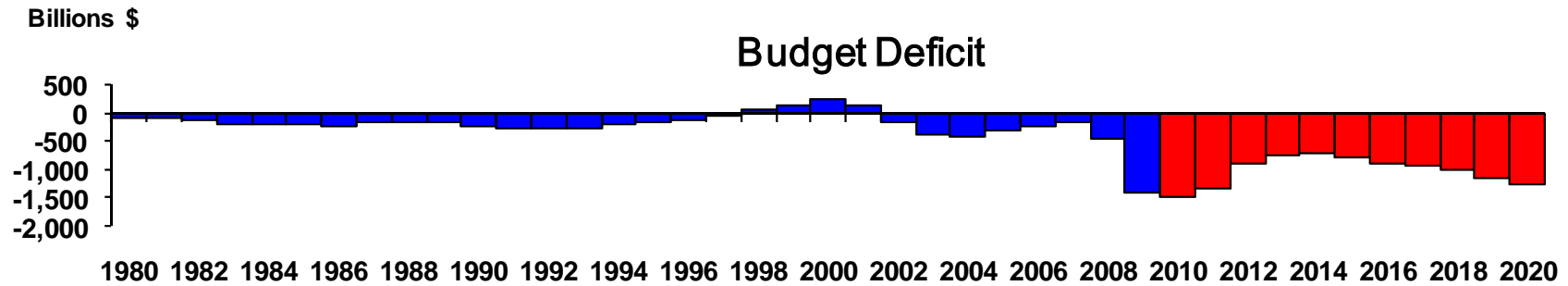


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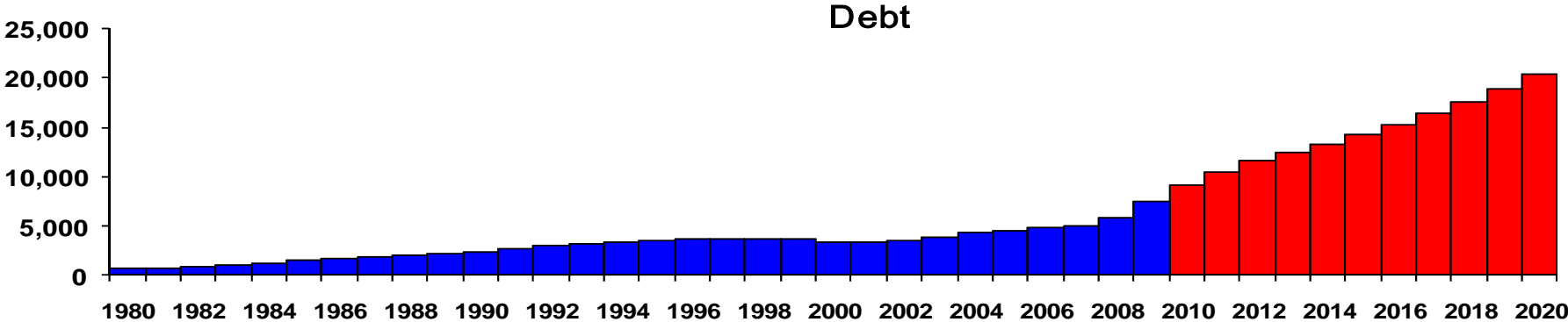
The President's Budget

(Forecast from CBO)

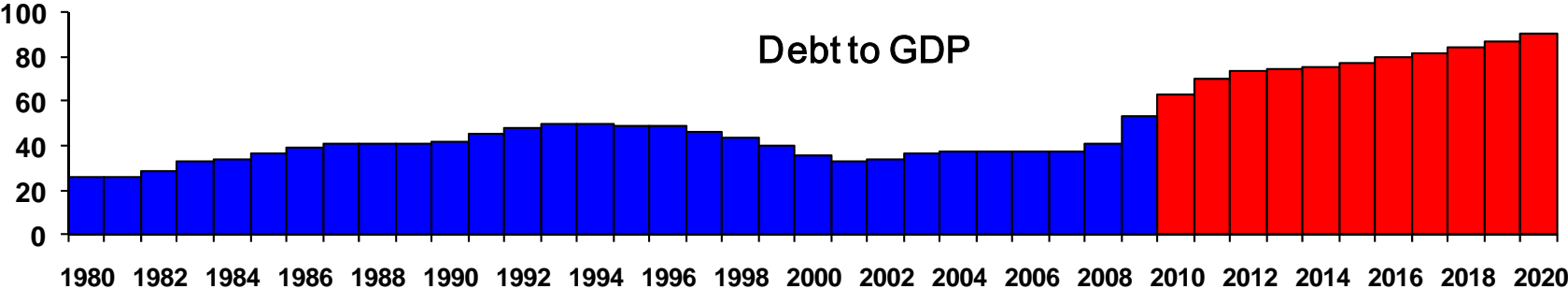


Government Debt

Billions \$



Percent of GDP



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Midwest Regional Office

More information on USCC/Health Care
visit: www.uschamber.com

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