



HOW HEALTH INSURANCE REFORM HELPS SMALL BUSINESSES

WHY SMALL BUSINESSES NEED HELP

- **LESS THAN HALF INSURE WORKERS:** Only 45 percent of America's smallest firms can afford to offer health care benefits. In fact, 60% of America's uninsured—or 28 million—are small business owners, workers, and their families.
- **COSTS GOING UP:** Insurance costs for small businesses have increased 129 percent since 2000.
- **SMALL BUSINESS EMPLOYEES PAY MORE:** Small business employees pay an average of 18% more in premiums than those in large firms for the same benefits. Their deductibles are more than double.
- **HIGHER ADMINISTRATIVE COSTS:** Up to 25 percent of the cost of premiums is for administrative costs for some small business health plans, compared to 10 percent for large firms.

THE BILL'S INSURANCE REFORMS WILL BENEFIT SMALL BUSINESSES THE MOST

- **UNDER STATUS QUO, SMALL BUSINESSES PAY PREMIUMS BASED ON EMPLOYEES' HEALTH STATUS:**
Insurance companies are currently permitted to charge higher health insurance premiums because of employee health status. Small businesses pay higher rates today because they do not have the advantage of large numbers of employees over which to spread insurance risk.
- **UNDER BILL, SMALL BUSINESSES CAN NOW BUY POLICIES THAT NO LONGER:**
 - ✓ Deny coverage based on pre-existing conditions
 - ✓ Selectively refuse to renew coverage
 - ✓ Charge different premiums based on gender, occupation, or pre-existing conditions
 - ✓ Set unreasonable out-of-pocket spending limits that drive families deep into debt

ACCESS TO QUALITY, AFFORDABLE COVERAGE ON A HEALTH INSURANCE EXCHANGE

ADVANTAGES OF NEW HEALTH INSURANCE EXCHANGE FOR SMALL BUSINESSES:

Through a new Health Insurance Exchange, small business employees and the self-employed will be able to do one-stop comparison shopping for an affordable insurance plan that offers:

- Lower rates that currently only large groups and firms get,
- Stable pricing from year to year,
- Lower administrative costs, and
- A choice of quality plans.

ACCESS OF SMALL BUSINESSES TO THE HEALTH INSURANCE EXCHANGE

In the first years, the Health Insurance Exchange is targeted to serve employees of small businesses, the self-employed and the uninsured

- Under the bill, small businesses gradually increase their participation:
 - In 2013, firms with up to 25 employees can enter the Exchange;
 - In 2014, firms with up to 50 employees can enter; and
 - In 2015, firms with up to 100 employees can enter.

SMALL BUSINESS TAX CREDITS

A TAX CREDIT FOR SMALL BUSINESSES to help them offer coverage to their employees

- The bill provides a tax credit to small businesses over a two-year period to help them transition to or continue providing health benefits to their employees – paying up to 50% of their costs based on size and average wages.
- The full 50% credit is available for small businesses with 10 or fewer employees and with average employee wages of \$20,000 or less. The credit rate phases out as employee size and average employee wages increase. The credit is fully phased out for firms with 25 employees or average wages of \$40,000.
- The tax credit is targeted to firms currently least likely to offer coverage – those with low average wages. Only 15.6% of workers in firms with less than 25 employees and with income less than the federal poverty level were covered by employer-provided health insurance in 2006.

MOST SMALL BUSINESSES EXEMPT FROM SHARED RESPONSIBILITY REQUIREMENT

Just like auto insurance, everyone must be insured to make the system work. The bill is built on the concept of shared responsibility. Under the bill, mid-sized and large businesses are required to offer health coverage to their employees or pay an 8 percent payroll fee to help subsidize their coverage in the Exchange. In recognition that providing health insurance is unaffordable for many small businesses, the bill exempts most small businesses from the shared responsibility requirement and subjects others to a lower rate, as follows:

SMALL BUSINESSES GET EXEMPTIONS

- **Payrolls below \$500,000 are completely exempt**
- **Payrolls between \$500,000 and \$750,000 face a graduated penalty if no coverage provided**
 - 2% penalty, if payroll is between \$500,000 and \$585,000
 - 4% penalty, if payroll is between \$585,000 and \$670,000
 - 6% penalty, if payroll is between \$670,000 and \$750,000

98.8% OF SMALL BUSINESS OWNERS NOT SUBJECT TO HEALTH CARE SURCHARGE

Under the bill, the wealthiest 0.3% of Americans would pay a surcharge on income over certain levels to help make health insurance affordable for small businesses and the middle class, while reducing the deficit. For small business owners, **the surcharge is only on net profits** —receipts minus expenditures (payroll, business expenses, etc.)— **above \$500,000 (for single filers) and \$1 million (for married filers).**

98.8% OF SMALL BUSINESSES PAY NOTHING

- The nonpartisan Joint Committee on Taxation estimates that only 1.2% of small business owners would net that much and therefore pay the surcharge, **using the broadest definition of a small business owner** (i.e., any individual with as little as \$1 in small business income)

OF THE REMAINING 1.2%

- **Half earn less than one-third of their income from small businesses**—not what we think of as truly “small business owners”
- **Average annual income of nearly \$3 million**—the average income of this 1.2% of “small business owners” affected by the surcharge is nearly \$3 million a year