



SMALL BUSINESS GUIDE

Millions of small businesses together power the American economy. During economic crisis, these businesses operate close to the margin, or don't survive at all. But their innovation and entrepreneurship put them in the lead in helping our economy recover.

For American small businesses, health care has been an unrelenting headache, with:

- small businesses' **health care costs growing 129%** since 2000,
- workers **paying an average of 18% more for premiums** than those with larger firms, and
- only 45% of America's small businesses can afford to offer health benefits—which means **the majority of uninsured Americans are small owners, employees, and their families.**

But help is on the way.

Health insurance reform means access to affordable and quality health care for America's small businesses--and assistance in providing it. Curbing skyrocketing health care costs and reducing our deficit will also grow our economy for years to come.



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WHAT'S IN IT FOR SMALL BUSINESSES?

AFFORDABLE COVERAGE

In 2014, the reform creates **Health Insurance Exchanges, or competitive marketplaces**, where small businesses and their employees, the self-employed, and the uninsured can purchase affordable coverage. For the first time, small businesses will be able to pool their buying power and have access to the same quality plans only available to large firms today.

Through the Exchanges, small business owners and workers can do one-stop comparison shopping for an affordable plan that offers:

- lower rates like what big businesses pay,
- stable pricing from year to year,
- lower administrative costs, and
- choice of quality plans for employees.

TAX CREDITS

Health reform provides **\$40 billion in tax credits for small businesses to help them offer employee health insurance coverage—if they choose to do so**. More than 60 percent of small employers, or more than 4 million firms, will be eligible for these credits.

The tax credit is effective January 1, 2010. Small businesses that provide coverage for their workers will receive immediate help with their premium costs, and additional firms that initiate coverage this year will get a tax cut as well.

This sliding-scale tax credit is worth up to 35 percent of a small business's premium costs in 2010. On January 1, 2014, this rate increases to 50 percent. Firms can claim the credit for 2010 through 2013 and for any two years after that.

The sliding-scale tax credit is also available for small non-profits. For non-profits, the credit is worth up to 25 percent of a non-profit's premium costs in 2010. On January 1, 2014, this rate increases to 35 percent.

To qualify for the tax credit, businesses and non-profits must have fewer than 25 employees and average annual wages of less than \$50,000—and the full tax credit is available to those with 10 or fewer employees and average annual wages of \$25,000 or less.

QUALITY COVERAGE

Starting in 2014, affordable plans in Health Insurance Exchanges will have a **guaranteed set of minimum benefits**—to eliminate fine print surprises that often face those who don't have the purchasing power of a large corporation or group. Health insurance reforms will mean:

- no more “pre-existing conditions” for children now, and adults in 2014
- no selective refusals to renew small business coverage,
- no more premium ratings for gender, occupation or previous illness or medical condition that unfairly drive up costs for some,
- caps on what you pay out-of-pocket, and
- no lifetime or annual caps on what insurance companies will pay for your coverage.

EXEMPTION FROM RESPONSIBILITY TO OFFER COVERAGE

In recognition of the fact that providing employee health coverage is simply unaffordable for many of America's small businesses, the reform **exempts all small firms with fewer than 50 employees from the employer responsibility requirements that begin in 2014.** This means that 96 percent of all firms in the U.S. or 5.8 million out of 6 million total firms will be exempt.

Many small firms that do not currently offer coverage will be more likely to do so under reform – because of new tax credits, lower premiums, and better choices.

HELP WITH WELLNESS & PREVENTION

Small businesses that want to promote healthy behavior have access to health plans for their workers that provide free preventive care.

IMMEDIATE HELP FOR THE UNINSURED

For those small businesses with workers who have been uninsured for several months, or denied a policy based on “pre-existing conditions,” a high risk pool will immediately offer insurance, and assistance to help pay the premiums.

ACCESS TO THE BEST DOCTORS

The best doctors in America can see patients—even those who own or work for small businesses in rural areas--through telehealth networks and telehealth resource centers established through grants.



BENEFIT FROM SMALL BUSINESS HEALTH CARE TAX CREDIT: THREE CASES

EXAMPLE 1:

AUTO REPAIR SHOP WITH 10 EMPLOYEES GETS \$24,500 CREDIT FOR 2010

MAIN STREET MECHANIC:

- **Employees:** 10
- **Wages:** \$250,000 total, or \$25,000 per worker
- **Employee Health Care Costs:** \$70,000

2010 Tax Credit: \$24,500 (35% credit)

2014 Tax Credit: \$35,000 (50% credit)



EXAMPLE 2:

RESTAURANT WITH 40 PART-TIME EMPLOYEES GETS \$28,000 CREDIT FOR 2010

DOWNTOWN DINER:

- **Employees:** 40 half-time employees (the equivalent of 20 full-time workers)
- **Wages:** \$500,000 total, or \$25,000 per full-time equivalent worker
- **Employee Health Care Costs:** \$240,000

2010 Tax Credit: \$28,000 (35% credit with phase-out)

2014 Tax Credit: \$40,000 (50% credit with phase-out)



EXAMPLE 3:

FOSTER CARE NON-PROFIT WITH 9 EMPLOYEES GETS \$19,000 CREDIT FOR 2010

FIRST STREET FAMILY SERVICES.ORG:

- **Employees:** 9
- **Wages:** \$198,000 total, or \$22,000 per worker
- **Employee Health Care Costs:** \$76,000

2010 Tax Credit: \$19,000 (25% credit)

2014 Tax Credit: \$26,600 (35% credit)



Source: Department of the Treasury