



The House-Passed Healthcare Bill March 22, 2010

On March 21, the House passed the Senate bill, originally passed by the Senate in December. The bill was then sent to the President for his signature. Immediately after that vote was taken, the House passed changes to the Senate passed bill known the "Budget Reconciliation" bill (H.R.4872) by a vote of 220 to 211. The Senate will now consider this package of changes this week, which will shape the final outcome of the healthcare reform program.

This healthcare bill is a comprehensive overhaul bill that increases coverage to 94% of Americans and makes sweeping changes to our current healthcare system. There are new provisions in the bill for both individuals and employers. Although the bill is comprehensive, we address the changes that will affect small employers and their employees.

Individual Requirements:

The bill requires all U.S. citizens to obtain the minimum essential coverage or pay a penalty of \$95 in 2014, \$325 in 2015, \$695 in 2016 and \$750 in 2017 and indexed thereafter. There will be a penalty cap of \$2,250 per family.

Exemptions to the penalty will be granted for financial hardship, religious objections, and those with income below the tax filing threshold (in 2009 the threshold for taxpayers under age 65 was \$9,350 for singles and \$18,700 for couples).

Beginning in 2018, there will be a 40% excise tax on individual high-cost health plans costing more than \$10,200 for individuals and \$27,500 for families.

Employer Requirements:

Employers under 50 employees:

Exempt from required coverage and penalties.

Employers more than 50 employees who do not offer coverage:

Employers with over 50 employees that do **not** offer healthcare coverage will be required to pay a fee of \$2000 per total number of full-time employees if they have

at least one full-time employee receiving a tax credit for premium assistance. There is a transition provision that exempts 30 employees from the total number of full-time employees for purposes of this calculation.

Employers with over 50 employees who offer healthcare coverage:

Employers with over 50 employees who *offer* healthcare coverage must pay at least 60% of their employees' premiums or employee premiums payments cannot exceed 9.5% or more of their income to avoid fees. Fees may be imposed at the rate of \$3,000 per employee who receives a tax credit for premium assistance.

How does an employee qualify for a premium assistance?

- An individual is eligible to receive a tax credit for premium assistance if their employer pays less than 60% of the premium cost or if the employee share of the premium exceeds 9.5% of their income.

Employers more than 200 employees:

Employers with 200 or more employees will be required to automatically enroll new full-time employees in coverage.

Insurance Market Reforms:

Beginning in 2014, the bill puts in place reforms to the current small group insurance market and changes the way insurers determine eligibility. In addition, there will be a "market shift" to pool the self-employed, non-profits and small businesses into the same group under new marketplaces called exchanges.

These market reforms include:

- Individuals and small businesses will be guaranteed health coverage and will have the ability to renew coverage annually
- Prohibits insurers from basing eligibility on: pre-existing conditions, health status, medical condition, claims experience, receipt of health care, medical history, genetic information, disability, and evidence of insurability
- Prohibits lifetime or annual limits on benefits
- Prohibits deductibles greater than \$2,000 for individuals and \$4,000 for families
- Requires insurers to expend no less than 85% on medical coverage
- Coverage for non-dependent children up to age 26

What's in it for Small Business?

New Marketplaces to Shop for Healthcare Coverage:

By 2014, all 50 states will be required to establish state-based exchanges. These state-based exchanges, or marketplaces will be offered to employees of small businesses, the self-employed and individuals.

These pools will be run by states. States may form regional exchanges or allow more than one exchange to operate in a state.

These state-based exchanges will also include private insurance plans, multi-state health plans, and Consumer Operated and Oriented Plans (CO-OPs). There will be no public option, however, each state exchange will be required to offer at least two multi-state health plans negotiated by Office of Personnel Management (OPM). CO-OPs are non-profit, member driven and owned health insurance issuers that will offer plans through the exchanges.

Small Business Eligibility for the Exchanges:

Individuals, the self-employed and small businesses up to 100 full-time employees will be eligible to obtain coverage through state exchanges. However, before 2016, a state may limit pool to businesses up to 50 employees. Beginning in 2017, the state exchanges will expand to small businesses more than 100 employees.

It is important to note that small employers eligible to obtain coverage in an exchange who grow beyond the employee limit will continue to be treated as a small employer and eligible to participate in their qualified health plan until the employer decides not to enroll in that plan.

Benefits Under the Exchanges:

The exchanges will include private insurers that offer four benefit categories of qualified health plans. The four levels of coverage for benefits will be: bronze, silver, gold and platinum.

- Benefit levels include:
 - Bronze plan covers 60% of the benefit costs of the plan
 - Silver plan covers 70% of the benefit costs of the plan
 - Gold plan covers 80% of the benefit costs of the plan
 - Platinum plan covers 90% of the benefit costs of the plan
- All insurance plans in the exchanges must include these services: ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance use disorder services, including behavioral health treatment, prescription drugs, rehabilitative and habilitative services and devices, laboratory services, preventive and wellness services and chronic disease management, and pediatric services, including oral and vision care.

Increased Coverage Options:

The bill will establish simple cafeteria plans to allow small employers and the self-employed to offer tax-free benefits.

Employers who offer insurance but not through the exchanges will be required to offer “free choice vouchers” to employees to purchase coverage through the exchanges.

Assistance to Small Businesses to Reduce Coverage Costs: Tax Credits

The bill contains small business tax credits to help offset the cost of providing healthcare coverage to employees.

Starting in 2010, a three-year small business tax credit will be available to businesses up to 25 employees and average wages below \$50,000. The full tax credit, 35% of the employer’s contribution toward the employee’s health insurance premium, would be available to small businesses with 10 or fewer employees with average wages below \$25,000. Employers must contribute at least 50% of the total premium cost to be eligible for a tax credit.

In 2014, a tax credit will be available to businesses up to 25 employees and average wages below \$50,000 who purchase health coverage for their employees through state exchanges. The maximum allowable tax credit will increase to 50% of the employer’s contribution, if the employer contributes at least 50% of the total premium cost.

The employer would cover the premium costs for their employees during the year and receive the tax credit at the end of the year when filing income taxes.

These small business tax credits will be applicable to tax exempt small businesses, 501(c)(3)s (i.e. charitable organizations), but the maximum credit will be limited to 25% of the employer’s contribution toward the employee’s health insurance premium in 2010-2013, and will increase to 35% in 2014.