

The Patient Protection and Affordable Care Act: What does it mean for small business?

Old National Merchants Association
Monthly Breakfast
October 31, 2013

Bill Rencher, JD, MPH
Program Associate
Georgia Navigator Program
Seedco – www.seedco.org





BACKGROUND

Why do we need health reform?

- Healthcare spending is growing faster than the economy and wages
- U.S. ranks last in key health outcomes among developed countries
- Georgia ranked 36th of the states in 2012 in terms of overall health measures
- Lack of broad access to healthcare increases costs and health disparities

U.S. Healthcare “System” (pre-ACA)

- Employer-sponsored group private insurance
- Individual private insurance (not available for those with pre-existing conditions)
- Medicare, Medicaid, CHIP
- Veteran health benefits
- Other programs, such as Tri-Care, IHS
- Charity Care
- **48 million uninsured Americans**
 - **Nearly 2 million in Georgia**

The basis for the ACA

- Builds on the current system of private insurance coverage
- Similar to reforms in Massachusetts
- Three fundamental characteristics:
 - **Regulation** of Health Insurance
 - Coverage **Mandates**
 - **Government efforts** to help make insurance more affordable and accessible

Regulation of Health Insurance

- Beginning January 1, 2014, insurance companies can no longer deny coverage or raise premiums based on pre-existing conditions
- Premiums can only be based on age (3:1 limit), location, family composition, and smoking status
- Children can stay on parents' plan until 26
- No more lifetime or annual limits

Coverage Mandates

- Requires all U.S. citizens and legal residents to have health insurance or pay a tax penalty
 - **Exemptions granted for hardships, poverty, and other reasons**
- Requires employers with 50 or more full time employees to offer coverage that:
 - Costs < 9.5% of annual household income and
 - Has an actuarial value of at least 60%

Government Efforts

- Medicaid Expansion
 - Requires states to expand Medicaid to cover all individuals up to 138% FPL
 - **Made optional by Supreme Court decision**
- Individual and SHOP Exchange
 - Individuals and small businesses can purchase **private** health insurance and receive cost assistance in the form of tax credits
 - **Run by federal government in Georgia**



THE ACA AND SMALL BUSINESS

Employer mandate

- Employers with 50 or more full time employees (FTE) must offer insurance coverage that is :
 - **Affordable:** employee's portion of the premium must be less than 9.5% of household income (only count the cost to cover the employee) and
 - **Of minimum value:** must have an actuarial value of 60%, the same as a bronze plan on the exchange
- Employers with 200 or more FTEs must automatically enroll them in insurance
 - Employees can opt out

Penalties

- Not meeting either or both requirements qualifies an employee for premium subsidies in the individual marketplace
- If at least one employee does so and:
 - **No coverage was offered:** Assess \$2,000 per FTE excluding the first 30
 - **Coverage was offered** but didn't meet the mandate requirements: Assess the lesser of \$3,000 per FTE receiving a subsidy OR \$2,000 per FTE excluding the first 30
- **Enforcement delayed until 1/1/2015**

SHOP Exchange

- Employers with between 2 and 50 FTEs can purchase **private** health insurance for their employees and their families
- Terms must be explained clearly
- Can compare various plans and costs side by side and choose what is best for their business and financial situation
- Beginning in 2015, employees will be able to shop on the SHOP exchange

SHOP Exchange

- Five companies currently offering plans in Georgia:
 - Alliant, Blue Cross and Blue Shield, Humana, Kaiser Permanente, and Peach State
- More may be added in subsequent years
- All plans must be categorized according to actuarial value: Bronze (60%), Silver (70%), Gold (80%), and Platinum (90%)

All plans must cover:

1. Doctors' visits
2. Emergency care
3. Hospitalizations
4. Maternity / baby
5. Mental health
6. Prescriptions
7. Rehabilitative and habilitative care
8. Laboratory Services
9. **Preventive care** and chronic disease management
10. Pediatric care, including dental and vision

Tax credits

- Available to employers who:
 - Have no more than 25 employees,
 - Have average wages of less than \$50,000, and
 - Pay for at least 50% of employee's premium
- Tax credit of up to 50% of employer's contribution depending on firm size and employer's contribution
 - Firms of 10 or less FTEs and average wages of less than \$25,000 receive the full credit
 - Credit phases out as firm size and average wages increase

Final thoughts (negative)

- Restaurants, retail establishments, and other businesses with low profit margins cannot afford to comply so they:
 - Reduce number of FTEs or
 - Raise prices
- Determining affordability
 - Drafting error means currently not fair to employees with families
 - But if corrected may not be fair to employers

Final thoughts (positive)

- Prohibiting pricing based on pre-existing conditions of employees should reduce premiums for small businesses
- Tax credits available for small businesses who qualify
- When SHOP exchange is fully operational in 2015, employees of small businesses will have more choices and that will increase competition

Resources

- **www.healthcare.gov** (will be the exchange portal for Georgia) or **1-800-318-2596**
- **Navigator hotline: 1-855-899-6092**
- www.smallbusinessmajortiy.org
- www.healthreformbeyondthebasics.org
- www.familiesusa.org/health-reform-central/
- www.kff.org
- Bill Rencher: WRencher@seedco.org