



Federal Health Reform and Small Business

Insure the Uninsured Project (www.itup.org)
California Employers Association Webinar
April 13, 2010



Recent Legislation

- Patient Protection and the Affordable Health Care Act (HR3590)
 - Signed into law on March 23, 2010
- Health Care and Education Reconciliation Act (HR 4872)
 - Signed into law on March 29, 2010



Short Term Impacts (2010)

- Employer Benefits
 - Tax credit of up to 35% of premiums for businesses who offer health insurance with 25 or less full-time employees and average wages of less than \$50,000 (25% credit for non-profit) (Immediate)
 - Temporary re-insurance program for employers that provide benefits to retirees age 55-64 (through 2013) (June)
- Health Insurance Market Reforms (September)
 - Bans health plans from dropping coverage when an individual gets sick
 - Allows children to stay on their parents insurance until their 26th birthday
- Expanding Coverage
 - \$5B for uninsured individuals with pre-existing conditions to obtain health insurance in a high risk pool through 2014 (June)
 - Establishes a website that displays coverage options to allow individuals to compare plans (July)



Short Term Impacts (2011)

- **Insurance Market Reforms**
 - Requires health plans to spend at least 85% of premium revenue on health care (currently as low as 60% in some plans)
- **Employers and Employees**
 - Employers required to report health benefit values on FY 2011 W-2
 - The costs of over-the-counter drugs not prescribed by a doctor lose tax free status through an HRA or health FSA or Archer MSA
 - Tax on distributions not used for qualified medical expenses from HSAs or Archer MSAs increases to 20% (from 10% for HSAs and from 15% for Archer MSAs)
- **Small Business**
 - Initiates a 5-year \$200 million grant program to small employers who initiate wellness programs



Short Term Impacts (2013)

- **Changes in Tax Policy – paying for reform**
 - Increase the threshold for the itemized deduction for unreimbursed medical expenses from 7.5% to 10% of adjusted gross income; waived for individuals age 65 and older for tax years 2013-2016
 - Tax on individual/joint incomes over \$200,000/\$250,000 (not indexed)
 - Increases Medicare payroll tax from 1.45% to 2.35%
 - Imposes 3.8% tax on unearned income
- **Employer Provisions**
 - Eliminate the tax deduction for employers who receive Medicare Part D retiree drug subsidy payments (“double dipping”)
 - Limits the amount of contributions to a medical FSA to \$2,500 per year increased annually by CPI



Federal Reform Implementation (2014)

- **Individual Mandate to Purchase Minimum Coverage (penalty = greater of)**
 - Flat payment of \$325 in 2015 and \$695 in 2016 *or*
 - 1% of income in 2014, 2% in 2015 and 2.5% in 2016 and thereafter
 - Exemptions for financial hardship and religious beliefs
- **Insurance Market Reforms - Availability**
 - Guaranteed issue and renewability for small businesses and individuals, rating reforms, no pre-ex
 - Prohibits plans from establishing annual and lifetime limits



Federal Reform Implementation

- Health Insurance Exchange
 - State-based health insurance marketplace where individuals and small businesses (less than 50 employees in 2014, 100 in 2017) can compare plans and “shop” for coverage
 - Individuals below 400% FPL (\$88,000 for a family of four) will receive sliding scale tax credits to purchase coverage through the Exchange
 - 4 minimum benefits levels: Platinum, gold, silver, and bronze (60-90% of expected medical costs), plus young invincibles coverage for prevention and catastrophic
 - \$6 billion to establish Co-Ops (member-run health insurance)



Federal Reform Implementation

- Exchange Vouchers
 - Individuals whose share of premiums for employer sponsored coverage are between 8-9.8% of their income can purchase in Exchange to access refundable tax credits; employers’ vouchers follow them
- Employer Mandate
 - Employers with over 200 full-time employees must auto-enroll their employees in a health insurance plan
 - Employers with less than 50 employees are exempt



Federal Reform Implementation

- “Pay or Play” Provision
 - Employers with over 50 “full-time equivalent” employees must offer health insurance or pay a fee
 - Fee is \$2,000 per employee (first 30 employees are exempt from fee calculation), if the employer does not offer coverage to their employees, and any employee uses tax credits in the Exchange
 - If the employer does offer coverage, but an employee uses tax credits in the Exchange, fee is \$3,000 per employee using the credits or \$2,000 per full time employee, whichever is less



Federal Reform Implementation

- Tax Credits
 - Sliding scale credits to employers with less than 25 employees and average wages less than \$50,000 for up to 50% of their premium costs through the Exchange
- Eliminates job lock
 - All coverage is guaranteed issue and renewal in individual and small employer markets
- Tax on high-cost insurance (2018)
 - 40% excise tax on "Cadillac" group health plans, indexed to CPI plus 1%
 - Tax imposed on value of cost over \$10,200 for an individual and \$27,500 for a family, higher for high risk occupations
 - Excludes value of dental and vision



ITUP

**INSURE THE UNINSURED
PROJECT**

**For resources and additional information
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