

What Every Small Business Needs to Know about PPACA/ACA

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What Every Small Business Needs to Know about PPACA/ACA

The Patient Protection and Affordable Care Act (PPACA), or the Affordable Care Act (ACA) has created quite a stir in 2014. This reform initiated by the Obama Administration has affected both individuals and business owners and drastically altered the health care system. In fact, it's the most significant change to health care since Medicaid and Medicare back in 1965. In this resource, we will discuss what it means for small business owners and how to make the transition to this system.

Why It Was Created

The primary goal of the ACA was to maximize the number of Americans that are covered by health insurance. This means providing quality coverage that's relatively affordable and doesn't exclude a certain demographic that may have had difficulty obtaining coverage prior to the reform. Some examples include individuals with pre-existing medical conditions, the elderly or those lacking the financial means. By implementing the ACA, more Americans should have adequate health care to treat existing conditions, better preventative care and the peace of mind that they will be taken care of if future medical problems arise.

Brief History

- Health care debate during Democratic presidential primaries in 2008
- Concept of a health care reform is introduced on September 17, 2009
- The ACA passes the House on October 8, 2009
- Passes the Senate on December 24, 2009
- Becomes effective on March 23, 2010
- Initial enrollment for health insurance marketplaces opens on October 1, 2013 and closes on March, 31 2014

The Long-term Impact

While the majority of provisions have already been phased in, the ACA won't be carried out in its entirety until at least 2018. In 2015, children's health insurance will be addressed where there will be an increase federal match for Children's Health Insurance Program (CHIP). 2016 will be when states can form health care choice compacts where providers can sell their policies in any participating state. Finally, in 2018 there will be tax on insurers that charge excessively high rates on health care plans.

When it comes to penalties for individuals that do not acquire or keep health insurance, the rates are minimal in 2014, but will continue to rise in the future. According to Larson Allen LLP, "the penalty in 2014 is \$95 or 1 percent of the individual's income, whichever is greater." However, this will increase significantly over the next few years. "By 2016, it increases to \$695 or 2.5 percent of income. For families, the maximum penalty is three times the per-person flat-dollar penalty."

What it Means for Business Owners

For employers that already offer affordable health care to full-time employees, the ACA will not affect them. This reform will only impact employers lacking health coverage for their employees. Perhaps the biggest myth is that all businesses are required to provide coverage to full-time employees (i.e., 30 or more hours per week) under the ACA. In reality, employers are not required to offer coverage.

However, businesses with more than 50 full-time employees may be stuck with an employer shared responsibility payment (ESRP) if one or more employees get a premium tax credit from the health insurance marketplace. Businesses with fewer than 50 employees are not required to make the ESRP. Although it's not mandatory for smaller businesses to offer health insurance, it can be advantageous to do so for several reasons.

Reasons to make the ESRP

- Competitive advantage for recruiting highly talented employees
- Reputation booster for ensuring the health and wellbeing of workers
- Happy and healthy employees can equal higher productivity
- Substantial tax credits

Private Health Insurance Exchanges

One key feature of the ACA is the creation of a marketplace where individuals can use private health insurance exchanges to shop for health care plans. The first enrollment period started on October 1, 2013 and ended on March 31, 2014. This concept provides a streamlined experience where a person begins by entering their personal information such as income, marital status, household members, etc. From there, they can view a list of health insurance plans that they qualify for and will know whether or not they're eligible for discounts. They can then choose the plan they're interested in and enroll.

Using private health insurance exchanges breaks down plans according to different categories and shows information like monthly premiums, out of pocket costs and additional benefits. Consequently, this system makes it relatively simple for employees to weigh the pros and cons of various plans so they can choose the ideal type of coverage. An advantage of this system is that it utilizes web-based technology where a person can create an online account. This makes it easy to browse the marketplace, see pricing, enroll and stay updated on status.

For small business owners with less than 50 employees, there is the Small Business Health Options Program (SHOP) marketplace. This operates on the same premise as the regular marketplace, but allows employers to choose the type of coverage they want to offer their workforce and how much they're willing to pay on employee premiums. Learn more at Healthcare.gov



Benefits for Employees and Employers

Thanks to the customizability of health insurance exchanges, it's possible for employees to find a plan that fits both their needs and budget. It's sometimes referred to as right-sizing where all pertinent health care needs can be addressed without being over-insured in the process. The simplicity of the online marketplace makes it easy for employees to understand the subtle nuances of different plans so they can make a highly informed choice when making a decision. If a person has an existing medical condition or characteristics that might have prevented them from getting affordable health insurance in the past, they can't be discriminated against because of it. As a result, nearly everyone can find a reasonable plan.

In terms of employer benefits, perhaps the biggest is the tax credits. Throughout 2010 to 2013, the maximum tax credit for small business owners was 35 percent of employee premiums. However, this number has increased dramatically, and in 2014 that number jumped up to 50 percent for employers that use the SHOP marketplace. There is also simple plan management, which reduces the number of administrative tasks that employers are responsible for.

Some of the benefits that individuals can receive:

- Prescription drugs
- Emergency care
- Mental health services
- Behavioral health treatment
- Rehabilitative services
- Pediatric services
- Maternity and newborn care
- Chronic disease management
- Preventative wellness

This means that they are less involved with managing employee health care, which puts less on their plate. But at the same time, employers know that their workforce will be taken care of and be able to find suitable coverage. In turn, this takes much of the headaches out of insuring employees and reduces the burden of business owners. Rather than having to spend an exorbitant amount of time on paper work and administration, they are free to work on more pressing matters.



Challenges and Solutions When Making the Transition

Like any major changes to a business structure, it's common to encounter some issues throughout the transition process. Although the web-based platform is fairly intuitive and designed with the user in mind, it can seem a little confusing to employees at first. That's why it's smart for employers to provide a crash course that goes over the basics prior to enrollment. Holding a meeting to discuss the overall process and directing employees to the All Topics section of the Healthcare.gov website should get the ball rolling. This is an excellent resource that should answer any questions. Ideally, employers will utilize a projection system and walk team members through the steps for enrollment for hands on instruction.

Another barrier is simply getting workers to complete enrollment before the deadline. Because some individuals may be less than excited about obtaining health insurance through this medium, there may be some procrastination. This can be problematic because open enrollment only lasts for a finite period and then employees have to wait for

What Businesses Does the Law Affect?

- No businesses are required to provide health care coverage for employees.
- Businesses with less than 50 employees cannot be penalized.
- The hours worked by multiple part-time employees could in theory equal one full-time employee, so full-time equivalents should be calculated.
- Large businesses with more than 50 employees may have an employer shared responsibility payment (ESRP) if one or more employees get a premium tax credit from the health insurance marketplace.

Continued...

a considerable amount of time before their next chance. The next enrollment period for 2015 begins on November 15, 2014 and ends on February 15, 2015. To combat this problem, it's recommended that employers schedule a few dates throughout the enrollment period where workers can dedicate their time to getting set up. For businesses with numerous employees, it's also wise to send out a sequence of reminders so no one forgets about their enrollment date. A series of email bursts is an efficient way to accomplish this.

If a small business owner with fewer than 50 employees is getting coverage through the SHOP marketplace, it's usually possible to offer health insurance to employees at any time of the year. This involves going through an insurance company, agent or broker. After completing enrollment, coverage will begin by the 1st of the next month. Clicking on this link leads to the SHOP marketplace where a business owner's state is entered. From there, an online application can be filled out and business owners will be notified whether or not they are eligible for SHOP within a few days.

What Businesses Does the Law Affect?

- If businesses with more than 50 employees fail to offer coverage to full-time employees, they will be fined \$2,000 per employee excluding the first 30 employees.
- Large businesses with more than 50 employees are not penalized for part-time employees.
- Small business employers that purchase coverage through the SHOP marketplace may be eligible for a tax credit of up to 50 percent of their employees' contributions toward health insurance.
- Small businesses that are tax exempt may be eligible for a tax credit of up to 35 percent of their contribution to employee coverage.

Conclusion

The ACA healthcare reform has undoubtedly created a lot of confusion and has been met with reluctance by many. Although it can seem like a daunting task for employers and their employees to get acclimated to health care exchanges, the long-term benefits should be worth it. Employees can have the coverage they need to remain healthy and be productive. By right sizing their health care plan, they can purchase precisely what they need without over-insuring and spending beyond their means.

Employers can simplify the administration process and receive significant tax credits to maximize their overall profit margin. At the same time, business owners can attract high level talent and gain a positive reputation for caring about their employees' health and well being. This can play a role in remaining competitive within an industry and laying down the foundation for a successful future.

Checklist for Getting Set Up

- Download “What Every Small Business Needs to Know about PPACA/ACA
- Get started by exploring the All Topics section of Healthcare.gov website.
- Small business owners apply at anytime through the SHOP marketplace.
- Small businesses learn more about potential tax credits and how to claim them through this IRS resource.
- Address potential challenges and figure out how to overcome them.
- Learn about employer responsibility and potential penalties through this resource.
- Brief employees on how the process works and explain the benefits of healthcare through a private exchange.
- Calculate the number of full-time equivalent employees if part-time workers are employed.
- Schedule a meeting to cover the steps that employees will need to complete to obtain coverage.
- Large business owners prepare for the upcoming enrollment period in November 2014 Learn about getting ready to apply via Using the Marketplace.
- Provide employees with educational materials.
- Answer all employee questions and provide assistance as needed.



Questions to Answer

1) Is my business affected by the ACA? If so, what specific changes should I expect?

2) Do I fully understand how the online marketplace works? If not, which features do I need to familiarize myself with?

3) What type of tax credits can I expect by offering my employees health coverage?

4) What obstacles might I encounter, and how will I overcome them?

5) How will I educate my employees on the process of obtaining health insurance?

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