

# Affordable Care Act 101: What The Health Care Law Means for Small Employers

December 2015

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# Small Employers and Health Care

For years, small businesses have reported that their **NUMBER ONE** concern has been access to **AFFORDABLE HEALTH CARE.**

## Affordable Care Act

Before the Affordable Care Act (ACA) , small businesses paid on average 18% more in premiums than their larger competitors for the same benefits . The ACA helps small employers by lowering premium cost growth and increasing access to quality, affordable health insurance.

# ACA Reduces Premium Cost Growth and Increases Access to Affordable Care



## Before ACA, Small Employers Faced Many Obstacles to Covering Workers

- Too few choices
- Higher premiums and unpredictable rate increases
- Higher rates for groups with women, older workers & those with chronic health concerns or high-cost illnesses, in most states
- Waiting periods or no coverage for individuals with Pre-Existing Conditions

## Under the ACA, insurance companies:

- Face limits on administrative spending. Most insurers must now spend at least 80 percent of consumers' premium dollars on actual medical care
- Must disclose and justify proposed rate hikes of 10% or more, which states, or the federal government, may review
- Can't charge higher rates or deny coverage because of a chronic or pre-existing condition
- Can't charge higher rates for women, and face limits on charging additional premiums for older employees
- Must pool risks across small groups creating larger pools like large businesses
- Must not have annual dollar limits on coverage
- Must offer plans that provide a core package of "Essential Health Benefits" equal to typical employer plans in the state

# Health Care Insurance Reforms Are Making a Difference for All Americans



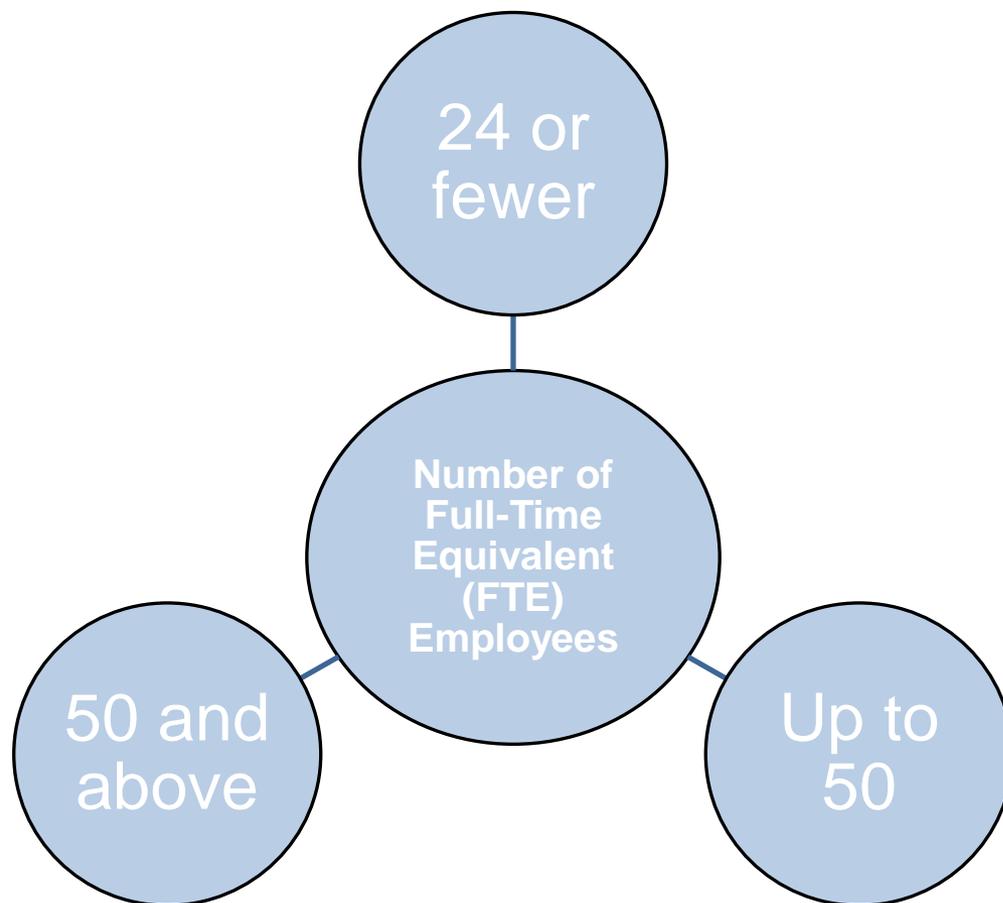
The Affordable Care Act is already making a difference for all Americans by offering strong consumer protections, improving quality and lowering costs, and increasing access to affordable care

- **6.6 Million Young Adults Have Coverage Through Parents' Plans:** 6.6 million young adults, including 3.1 million who were previously uninsured, now have health coverage through provision allowing young adults to stay on parent's plan until their 26th birthday
- **17 Million Children Cannot Be Denied Coverage Due to A Pre-existing Condition,** and in 2014, 129 million Americans with pre-existing conditions cannot be denied coverage or charged more
- **15 Million Americans Can No Longer Be Dropped by Their Insurance Companies:** Without ACA, the insurance industry could return to retroactively canceling coverage for a sick patient based on an unintentional mistake in their paperwork
- **6.1 million seniors saved over \$5.7 billion for prescription drugs:** In 2012, more than 3.5 million seniors and people with disabilities who reached the Medicare Part D coverage gap received more than \$2.5 billion in discounts, averaging \$706 per beneficiary. Since the law was enacted, 6.1 million seniors saved over 5.7 billion for prescription drugs.
- **Electronic Records Reform:** According to The Centers for Disease Control and Prevention's National Center for Health Statistics (NCHS), the percentage of doctors adopting electronic health records increased from 48 percent in 2009 to 72 percent in 2012. Furthermore, at least two thirds of physicians have computerized capability to improve patient safety through various electronic tools (electronic medication lists, etc.) as of 2012.

# How Will ACA Impact Small Employers?

It often depends on the size of the employer.

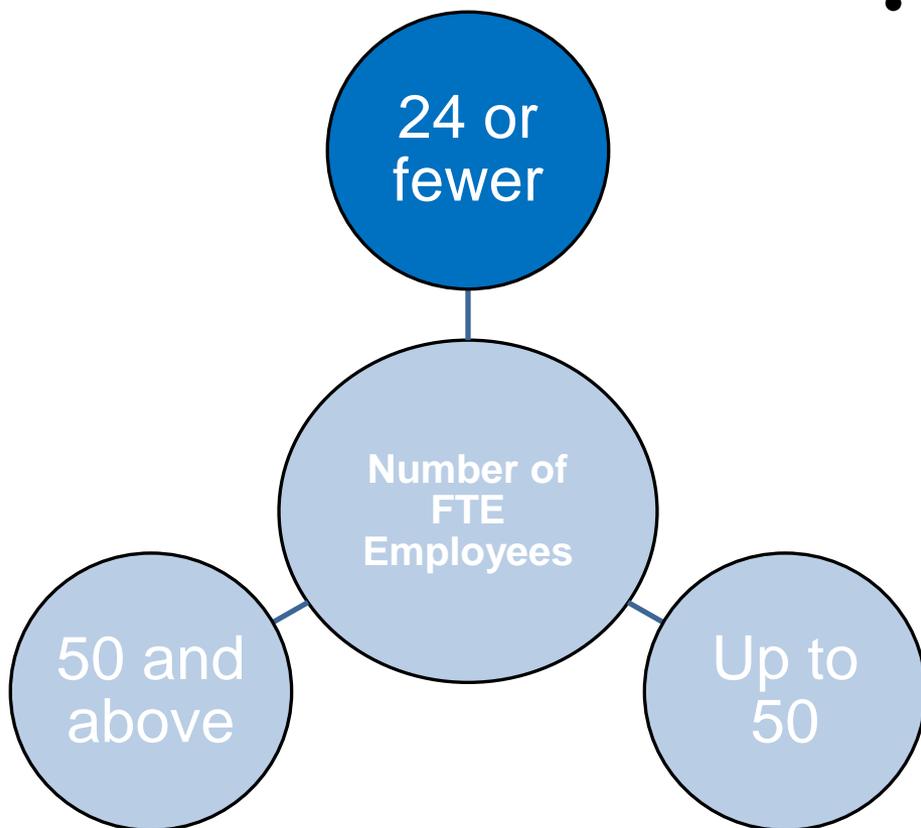
How many employees does the employer have?



# Affordable Care Act

## Small Business Health Care Tax Credit

# Employers with 24 or Fewer FTE Employees



- If these smaller employers provide coverage, they may qualify for the **Small Business Health Care Tax Credit** to help offset costs:

- Must have average annual wages below \$50,000\*; and
- Contribute a uniform 50% or more toward employees' self-only premium costs

**Note:** The **maximum tax credit** is available to employers with 10 or fewer full-time equivalent employees and average annual wages of less than \$25,000

# Small Business Health Care Tax Credit



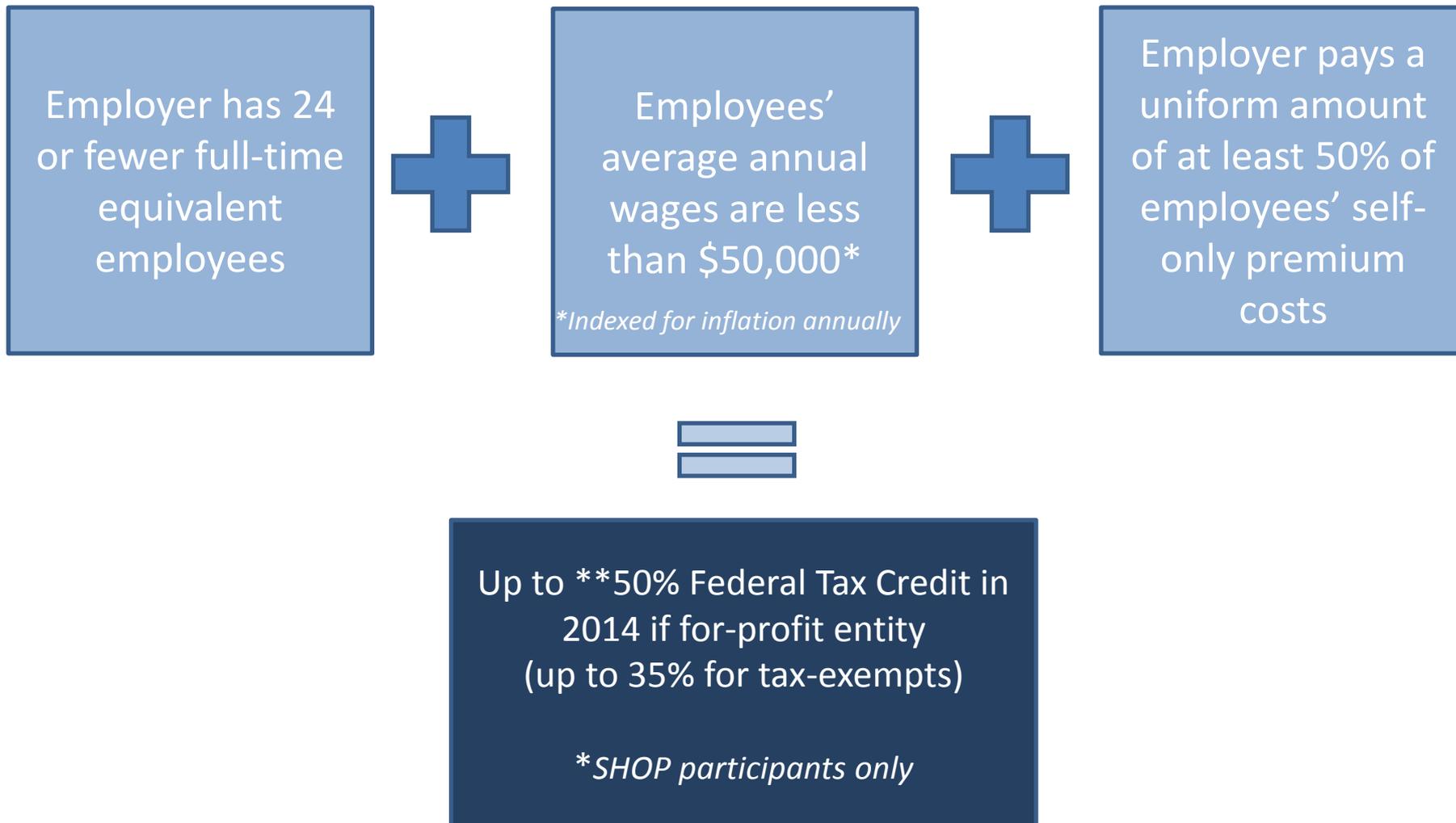
- In 2010 - 2013, **up to 35%** of eligible small employer's premium contribution (25% for a tax-exempt employer)
  - Employers may still deduct remainder of contribution
  - Credit can be claimed through 2013
- For 2014 and beyond, the **credit goes up to 50%** (35% for tax-exempt employers)
  - To take advantage of the credit, employees must enroll in coverage offered by employer through one of the SHOP certified plans
  - Credit can be claimed for any 2 consecutive taxable years beginning in 2014 (or beginning in a later year)

**Visit the SHOP Tax Credit Estimator:**

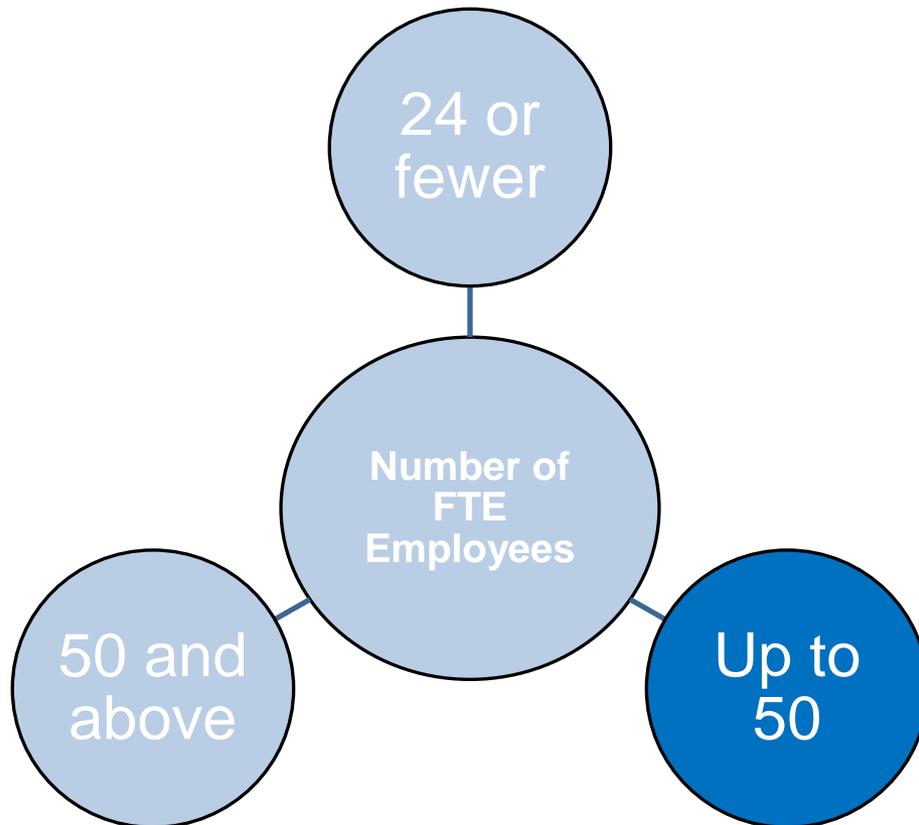
<https://www.healthcare.gov/shop-calculators-fte>

- Transition relief for employers with plan years differing from their taxable years

# Small Business Health Care Tax Credit



# Employers with Up to 50 FTE Employees



- If a small employer of this size chooses to offer coverage, there is a new way to do so: **Small Business Health Options Program (SHOP) Marketplace**
- Enhanced SB Health Care Tax Credits available for eligible employers with 24 or fewer employees participating in SHOP

# Affordable Care Act

The SHOP Marketplace

# What is the SHOP Marketplace?

## The Small Business Health Options Program = SHOP Marketplace

- Part of the Health Insurance Marketplace created by the Affordable Care Act (ACA)
- Offers small employers (generally those with 1-50 full-time employees) a choice of quality health and dental plans provided by private insurance companies
- States may choose to allow employers with 1-100 full-time employees to participate in the SHOP Marketplace and enroll in small group market coverage
- Small employers who offer coverage through the SHOP Marketplace may be eligible for the Small Business Health Care Tax Credit that may be worth up to 50% of their contributions to premiums (up to 35% for tax-exempt employers)
- Works with health insurance reforms to help spur competition based on price and quality

# Benefits of the SHOP Marketplace

- **Convenience and choice:**

- Complete a group enrollment at any point during the year
- Browse, compare, apply, and enroll in SHOP Marketplace health and dental plans on HealthCare.gov
- Offer one or multiple plans
- Receive one bill and make one premium payment a month

- **Control over spending:**

- Employers decide which plan(s) to offer qualified employees and how much they want to contribute to health and dental insurance premiums

- **Access to tax credits:**

- When you offer coverage through the SHOP Marketplace, you may be eligible for a tax credit worth up to 50% of your contributions to premiums (35% for tax exempt employers)

- **Many ways to get help:**

- Information and assistance are available including through HealthCare.gov, the SHOP Call Center, agents and brokers registered with the SHOP Marketplace and through navigators

# Which Employers can Participate in the SHOP Marketplace?

To be eligible to purchase coverage in the SHOP Marketplace, small employers must:

- 1 Be a “small employer” (generally, a small employer has 1-50 employees).
- 2 Offer coverage to all full-time employees (those working 30 or more hours per week, on average)
- 3 Have at least one employee
- 4 Have a principal business address or eligible employee worksite in the state in which coverage is offered

Use the SHOP FTE Calculator on HealthCare.gov for help counting full-time employees and FTEs for purposes of SHOP Marketplace eligibility:

<https://www.healthcare.gov/shop-calculators-fte/>

# Options for the Self-Employed

**Self-employed individuals are not eligible to enroll through the SHOP Marketplace unless they have at least one employee who enrolls**

Self-employed individuals with no employees may be able to enroll in coverage through the Health Insurance Marketplace for Individuals & Families on HealthCare.gov

## **Health Insurance Marketplace for Individuals & Families:**

- Premium tax credits may be available, depending on annual household income
- Individuals generally must enroll during Open Enrollment period, unless they have a life event, such as getting married or having a child
- Open Enrollment for 2016 is November 1, 2015 — January 31, 2016

# SHOP Marketplace Minimum Participation Requirement

In most states, 70% of a group's full-time employees offered coverage generally must accept the offer of SHOP Marketplace coverage or be enrolled other types of coverage for a group to participate in the SHOP Marketplace

- Unless the group enrolls between **November 15 and December 15**.

## What's New?

For 2016 coverage and beyond, the SHOP Marketplace Minimum Participation Rate (MPR) requirement has changed

## Here's an example:

### 2015 Participation Requirement

Employees **are not counted** toward the MPR if they have coverage through another job, another person's job, or a government program (e.g., Medicare, TRICARE).  
All current employees offered coverage are counted toward the MPR

### 2016 Participation Requirement

Employees with non-SHOP Marketplace coverage, such as through a spouse or government program, **will be counted** toward the MPR.  
Only full-time employees offered coverage will be counted toward the MPR

# Calculating the Minimum Participation Rate

For coverage beginning in 2016 and beyond, here's how the SHOP Marketplace MPR is calculated:

$$\text{MPR} = \frac{\text{Number of Full-time Employees **Enrolling** in Coverage}}{\text{Number of Full-time Employees **Offered** SHOP Marketplace Coverage}}$$

Here's an example for 2016:

- If an employer offers coverage to 10 full-time employees, and 2 have coverage through a spouse's employer, and 1 is covered by Medicare
- 70% of 10 employees = 7 employees
- 3 employees have other coverage that counts towards the rate, so 4 additional employees must accept the employer's offer of SHOP Marketplace coverage before the employer can enroll

From **November 15<sup>th</sup>- December 15<sup>th</sup>**, eligible small employers can enroll in SHOP Marketplace coverage **without** meeting the MPR requirement

# Health & Dental Coverage Options in the SHOP Marketplace

- Starting in 2016, employers may offer their employees one of three options through the SHOP Marketplace:
  1. Only health coverage
  2. Only dental coverage
  3. Both health and dental coverage
    - If a qualified employee is offered both health and dental coverage, he/she may choose to enroll in both health and dental coverage, only health coverage, or only dental coverage
- Employers may also offer health and dental coverage to their employees' dependents
  - Dependents must enroll in the same health or dental plan as the qualified employee
  - If a employee is offered both health and dental coverage, dependents will be able to enroll in either the health or dental coverage the employee picks, or in both

# Employee Choice: Offering Employers Flexibility & Control

**Employers can offer qualified employees:**

1. A single health or dental plan
2. A choice of plans within a plan category the employer chooses
  - Employees choose any plan within the selected coverage category

**Advantages of offering qualified employees a choice of plans:**

- They can choose plans that best fit their coverage needs
- Employer does not have to predict their health care needs
- Employer receives and pays just **one monthly bill** (unless offering coverage in more than one state), even when offering multiple plans with different health insurance companies
- Employer sets choice limits to control health care costs

EXAMPLE	Issuer A	Issuer B	Issuer C	Issuer D	Issuer E
Platinum					
Gold					
Silver	✓	✓	✓	✓	✓
Bronze					

# See Plans & Prices on HealthCare.gov

- 1. Browse** available SHOP Marketplace health and dental plans before choosing coverage
  - Save time with the application process by becoming familiar with coverage options before you get started
  - See plan and pricing options that are available in your area without creating an account
- 2. Generate estimates** for customized premium and out-of-pocket plan costs
  - Choose coverage that is affordable for both employers and employees
- 3. Compare plans** based on product network type, coverage category, insurance company, premium, deductible, and out-of-pocket maximum
  - Make an informed decision that fits employers' and employees' budget and coverage needs

# How to Enroll in the SHOP Marketplace: Employers

There are two ways employers may enroll their group in the SHOP Marketplace through HealthCare.gov:

## **Enroll with a SHOP Marketplace registered agent or broker registered**

1. Create a SHOP Marketplace account at HealthCare.gov
2. Contact a SHOP Marketplace registered agent or broker, or log in and select the “Get Assistance” tab to confirm that your current broker is registered with the SHOP Marketplace or find a SHOP Marketplace registered agent or broker near you
3. Authorize an SHOP Marketplace registered agent or broker to help enroll your group in SHOP Marketplace coverage
4. Submit initial premium payment—you should submit your initial premium payment once your employees have responded to your offer of coverage and the applicable minimum participation rate has been met. Agents and brokers can’t submit payments for you

# How to Enroll in the SHOP Marketplace: Employers (continued)

## Enroll on your own, without an agent or broker

1. Visit [healthcare.gov/small-businesses/employers](https://healthcare.gov/small-businesses/employers)
2. Select your state from the drop-down menu and click “Apply Now”
3. Create a HealthCare.gov account
4. Complete a SHOP Marketplace application
5. Select coverage, contribution, and make an offer to employees
6. Track employee participation and submit enrollment
7. Submit initial premium payment

# Need Assistance?

**The SHOP Marketplace offers many ways to get help:**

**From the Toll Free SHOP Call Center:** 1-800-706-7893 (TTY: 711)

- Available M-F 9:00am-7:00pm ET
- Assists employers, employees, agents and brokers

**From a SHOP Marketplace-registered agent or broker**

- Employers who create an online SHOP Marketplace account can:
  - Search online to find one locally
  - Authorize an agent or broker to manage their SHOP Marketplace enrollment online

**From a Navigator or other assister**

- “Find Local Help” on HealthCare.gov lets employers locate one in their area
  - <https://localhelp.healthcare.gov>

**Sole proprietors, self-employed, use toll free:**

**Health Insurance Marketplace Call Center:**

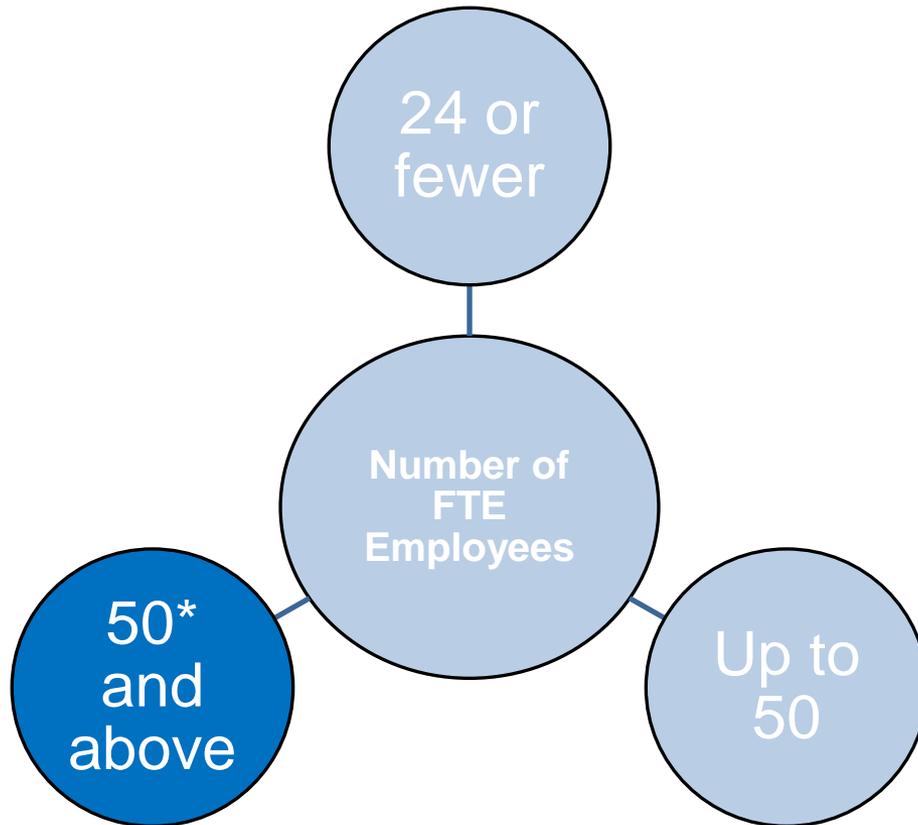
**1-800-318-2596 (TTY: 1-855-889-4325)**

*Available 24/7 except certain holidays*

# Affordable Care Act

2015:  
Employer Shared Responsibility for  
Employee Health Insurance  
Coverage

# Employers with 50 or More Full-Time Employees (including Full-Time Equivalents)



## Employer Shared Responsibility Provisions

\*In 2015 there are various types of transition relief available for employers, including substantial relief for employers with 50 to 99 full-time/full-time equivalent employees.

# Nearly All Small Firms Are Exempt from Employer Shared Responsibility Provisions

- ACA exempts all employers that have fewer than 50 full-time employees (including full-time equivalent employees) – nearly 96 percent of all firms in the United States or 5.8 million out of 6 million total firms – from the employer shared responsibility provisions. These 5.8 million firms employ nearly 34 million workers.
- Many employers that do not currently offer coverage will be better able to do so because of lower costs and wider choices in the SHOP Marketplaces.

## Key Definitions

- **Full-Time Employee:** an employee who is employed on average 30 hours or more per week (or at least 130 hours of service in a given month).
- **Full-Time Equivalent (FTE) Employee:** a combination of employees, each of whom individually is not a full-time employee because they are not employed at least 30 hours per week, but who, in combination, are counted as the equivalent of a full-time employee.
  - *For example, two employees each of whom works 15 hours/week are added together to equal one full-time employee.*
- **Controlled Group Employers:** employers with common owners or who are otherwise related are aggregated together to determine whether they meet the threshold number of 50 or more full-time employees (including full-time equivalent employees).

If employer meets 50 (100 for 2015) full-time/FTE employee threshold, there are two scenarios for potential payment

- **EITHER**

(1) An employer does not offer coverage to at least 95%\* of its full-time employees (and their dependents), **OR**

(2) The coverage offered to employer's full-time employees is not "affordable" or does not provide "minimum value" or particular full-time employee was not offered coverage

- **AND**

At least one full-time employee receives a premium tax credit in the individual Marketplace

\*For 2015, replace 95% with 70%

# Employer Shared Responsibility Provisions: Insurance Coverage Standards

## Coverage Provides Minimum Value

- Plan must cover, on average, at least 60% of the plan's total cost of incurred benefits
- HHS and IRS have an [online calculator](#) employers can use to input their plan details and determine if it meets the 60% value threshold.

## Coverage is Affordable

- Coverage is unaffordable if the full-time employee's share of the lowest cost self-only coverage that provides minimum value costs more than 9.5% of his/her annual household income
- **Affordability safe harbor:** If the cost to the employee of a self-only plan is not more than 9.5% of his/her wages as reported on Box 1 of the W-2, it's deemed affordable for purposes of Employer Shared Responsibility

# Employer Shared Responsibility Payments: Two Scenarios



If Coverage Not Offered to at Least 95% (70% in 2015) of Full-Time Employees (and dependents), then

- Payment applies if any full-time employee receives a premium tax credit for coverage purchased in the individual Marketplace
- **Payment owed:** \$2K/year times number of full-time employees in excess of 30 (*in excess of 80 for 2015*)
- Payment calculated separately for each month for which coverage not offered (\$166.67/month)
- Payment based on employer's number of full-time employees for that month

If Coverage Offered to Full-Time Employees, but Either Not Affordable or Does Not Meet Minimum Value, then

- **Payment owed:** \$3K/year per full-time employee who receives a premium tax credit for coverage purchased in the individual Marketplace
- Payment calculated on monthly basis = \$250/month
- This payment can't exceed payment described in Scenario # 1 (left hand column)

## Other Key Points

- Whether an employer will owe a payment depends on whether it offers coverage and the quality of the coverage it offers rather than whether an employee accepts the offer of coverage.
- No employer payment is owed for part-time employees even if they receive a premium tax credit
- Only the receipt of the premium tax credit in the individual Marketplace triggers these payments - an employee obtaining coverage from another source (e.g., spouse's family coverage) does not
- In order to not be subject to an employer payment, employers that offer coverage to full-time employees must also offer coverage to the dependents\* of those full-time employees who are children under age 26 (coverage for spouses is not required)

\*There is transition relief for dependent coverage for 2015

# Employer Shared Responsibility Provisions – Transition Relief in 2015

- **50 – 99 Full-time Employees (Including Full-time Equivalent Employees):** Not subject to the ESR rules (subject to certification requirement below)

## ***Certification Requirement:***

- Did not reduce # of employees or employees' hours in order to qualify for the transition relief
  - Employer maintained previously offered health coverage to its employees
- Various other forms of transition relief are available for 2015 for employers that are subject to the provisions in 2015, including relief for non-calendar year plans and relief with respect to the standards under which an employer will owe an employer shared responsibility payment.

# ACA Offers Strong Incentives for Employers to Continue to Offer Coverage

- The cost of providing coverage is tax deductible by the employer. By contrast, employer shared responsibility payments are not deductible.
- Employers that offer coverage have greater flexibility to tailor the coverage to provide those benefits most valued by their workforce and will enjoy competitive advantage in recruiting and retaining employees.

# Information Reporting for Applicable Large Employers (ALE)

- §6056 – ALEs only
- Effective 2015; first reports due 2016
- Information reported includes:
  - Employer's Identifying & contact information
  - Number of FT employees
  - Information for each FT employee, including coverage offered, lowest employee cost of self-only coverage, and the months employee was covered, if applicable

# Information Reporting Forms for Applicable Large Employers (ALE)

- Transmittal of Employer–Provided Health Insurance Offer and Coverage Information Returns (Form 1094-C)
  - Submitted to IRS
- Employer–Provided Health Insurance Offer and Coverage (Form 1095-C)
  - Provided to employees and submitted to IRS

# Information Reporting for Providers of Minimum Essential Coverage (MEC)

- §6055 – Insurers, self-insured employers, government agencies providing government-sponsored coverage, and providers of miscellaneous MEC
- Effective 2015; first reports due 2016
- Information reported:
  - Name & contact info for insuring entity
  - Identifying information of persons covered & months of coverage
  - Name and EIN of employer providing insured group health plan

# Information Reporting Forms for Providers of Minimum Essential Coverage (MEC)

- Transmittal of Health Coverage Information Return (Form 1094-B)
  - Submitted to IRS
- Health Coverage (Form 1095-B)
  - Provided to the policy holder or other responsible individual and submitted to IRS

# Other ACA Provisions Impacting Small Businesses

- W-2 Reporting of Annual Health care costs (unless required to file fewer than 250 W-2s in year prior)
- Employers covered by FLSA must notify any new hires about the Health Insurance Marketplace.
- Plans can't impose waiting periods of more than 90 days for otherwise eligible new hires to begin coverage.
- Employers may use additional incentives/rewards under workplace wellness programs (e.g. max reward increases to as much as 50% for smoking cessation programs).

# Small Business Resources



[www.healthcare.gov](http://www.healthcare.gov)

[www.sba.gov/healthcare](http://www.sba.gov/healthcare)

[www.irs.gov/aca](http://www.irs.gov/aca)

[www.Business.USA.gov](http://www.Business.USA.gov)