

HEALTHCARE REFORM

What Businesses Need to Know

The value of providing employer-sponsored health benefits to employees is undeniable, but it can be a real challenge for small businesses. According to www.whitehouse.gov, small employers pay 18% more than large employers for the same health insurance policy. The *Affordable Care Act (ACA)* attempts to close this gap in 2014 by bringing more Americans into the health care system, implementing tax credits for certain individuals and small businesses, and opening health insurance exchanges to expand the buying power of individuals and small businesses.

Notice for Employers with 50 or More Full-Time Employees

On July 2, 2013, the Obama administration announced it will not penalize businesses that do not provide health insurance in 2014. Instead, the requirement that all employers with more than 50 full-time equivalent employees provide coverage or face a penalty will be delayed until 2015.

Option 1 – Provide Coverage through the SHOP Exchanges

Beginning in 2014, small businesses can access Small Business Health Options Program (SHOP) exchanges to compare and buy health plans. SHOP exchanges are an online marketplace offering an array of qualified health insurance plans. The fundamental goal is to reduce the burden and costs associated with small group plans, and provide the cost advantages and choice enjoyed by large employers.

The ACA requires each state to have a fully functioning exchange by January 1, 2014. For states electing not to participate, the federal government will establish and operate exchanges in their place. Plans will be offered in four “metal tiers” ranging from:

- **Platinum** — Covers 90% of typical plan expenses
- **Gold** — 80% of plan expenses
- **Silver** — 70% of plan expenses
- **Bronze** — 60% of plan expenses

Employers will be able to select a metal tier of plans to offer their employees. In most states, employees will enroll in a tier with the same carrier in 2014. In future years, employees will

be able to select from different insurers within a tier.

Benefits available exclusively in the SHOP exchange are tax credits for employers with less than 25 full-time employees* who; a) provide at least 50% of the cost of health care coverage; and b) pay annual wages averaging less than \$50,000 per full-time employee. The maximum tax credit will apply to employers with ten or fewer full-time employees averaging annual wages below \$25,000.**

SHOP Exchanges will:

Offer a choice of qualified health plans in a side-by-side comparison format

Provide consolidated billing and administration in future years so businesses can offer choice without having to contract with multiple insurers

offer potential access to employer tax credits

Option 2 – Provide Coverage Outside the Exchange

Employers currently offering small group coverage can continue offering coverage through the small group market. Plans that may be deficient (do not offer minimum essential benefits or benefits at the metal tier levels) will be upgraded on January 1, 2014, or their next plan anniversary date. In some states, insurers are offering an early renewal option—scheduled for December 2013—which allows employers to lock in rates and benefits before potential market uncertainty occurs in 2014.

Option 3 – Defined Contribution

In a defined contribution model using individual plans, the employer provides a pre-determined level of funding employees can then use to purchase a plan of their choice. This model appeals to employers wanting to contribute toward benefits for recruitment/retention advantages, without having to select, purchase or manage the plans.

What are the advantages of defined contribution?

- **Simplified Management** — Employers set a budget, while employees shop for a plan via the individual market or individual exchange
- **Predictability** — Employers can better predict and contain benefits costs

- **Potential for Subsidies** — Employees may qualify for a subsidy when purchasing through the exchange
- **Expanded Benefits Offerings** — Employees can compare plans/providers and select an option that meets their individual needs
- **Preserve Tax Benefits** — Employers benefit from the same tax benefits offered by typical employer-sponsored plans***

Option 4 – Do Nothing

There is no requirement under ACA for small businesses to provide coverage to their employees; employers with less than 50 full-time employees are exempt from ACA fines. When deciding whether or not to offer coverage, however, employers must weigh a number of factors including cost, employee individual mandate requirements, and the value that such benefits lend to recruitment and retention.

Special Note to all Employers:

Employers of all sizes are required to provide notification of purchasing options and subsidies available through individual and group exchanges by October 1, 2013 (model notices are available at www.marshhealthoptions.com).

Summary

All employers, whether or not they offer health insurance, should have a basic understanding of ACA requirements. More information can be found at marshhealthoptions.com.

Current as of August 2013

Notes: *Excludes business owners and family members who work for the company

**For-profit — 50% of the employer's contribution; Tax-exempt — 35% of the employer's contribution

***Marsh and the association do not provide tax or legal advice. Please consult your personal advisors to determine the impact on your situation.

