

## HOW DOES HEALTH CARE REFORM AFFECT SMALL BUSINESSES?

### TAX CREDITS

- **SMALL BUSINESS TAX CREDITS:** *Offers tax credits to small businesses to make employee coverage more affordable.*
  - Tax credits of up to 35 percent of premiums will be available to small businesses with 25 employees or less for tax years 2010-2013, as long as the employer contributes at least 50% of a benchmark premium. Beginning in 2014, these tax credits will increase to cover 50 percent of premiums.
  - Small businesses with 10 or fewer employees who have annual wages of less than \$25,000 will be eligible for full credit.

### SMALL BUSINESS EXCHANGES

- **STATES WILL ESTABLISH THE STATE-BASED HEALTH INSURANCE EXCHANGES FOR SMALL BUSINESSES AND INDIVIDUALS ONE YEAR AFTER THE BILL BECOMES LAW**
  - By no later than 2014, states will have to set up Small Business Health Options Programs, or "SHOP Exchanges," where small businesses will be able to pool together to buy insurance.
  - Small businesses with up to 100 employees will be able to buy insurance for their employees using the small business health options program (SHOP). These will be exchanges administered by a governmental agency or non-profit organization within their state.
  - States have the option to allow businesses with more than 100 employees to purchase coverage on the shop exchanges as well.

### INSURANCE MANDATE FOR SMALL BUSINESSES

- **EFFECTIVE 2014, A FEDERAL HEALTH INSURANCE MANDATE WILL GO INTO EFFECT FOR INDIVIDUALS & SMALL BUSINESSES**
  - Starting in 2014, businesses with more than 50 employees will be required to either offer healthcare coverage or pay a penalty of \$2,000 a year per full-time worker over the first 30 as long as at least one of their employees is receiving a tax credit. The coverage offered will also have to meet minimum benefits -- covering both a specific set of services and 60% of employee health costs overall -- or else employers will face additional penalties.

### NEW REGULATIONS ON INSURANCE COMPANIES

- **LEGISLATION INCLUDES SEVERAL NEW REGULATIONS ON INSURANCE COMPANIES**
  - Six months from the passage of the bill, there will be a ban on lifetime limits on coverage, and on the practice of "recession" (cancelling policies that have already been issued), except in cases of fraud.
  - Effective 2014, insurers will no longer be able to set rates or exclude coverage based on pre-existing conditions, and can vary premiums only by geographic location, age, and tobacco use

## TYPES OF PLANS UNDER HEALTH CARE REFORM

- THE LAW PROVIDES FOR FOUR TYPES OF HEALTH CARE PLANS TO BE OFFERED ON THE SMALL BUSINESS AND INDIVIDUAL EXCHANGES:
  - *Bronze Plan:* Covers 60% of the benefit costs of the plan with an out-of-pocket limit equal to the Health Savings Account (HSA) current law limit of \$5,950 for individuals and \$11,900 for families.
  - *Silver plan:* Covers 70% of the benefit costs of the plan with the HSA out-of-pocket limits.
  - *Gold plan:* Covers 80% of the benefit costs of the plan with the HSA out-of-pocket limits.
  - *Platinum plan:* Covers 90% of the benefit costs of the plan with the HSA out-of-pocket limits.

For additional information about how the health reform bill impacts small businesses, you can also visit the IRS small business tax credit website at: <http://www.irs.gov/newsroom/article/0,,id=220809,00.html?portlet=6>

