



SMALL BUSINESSES DRIVING PRACTICAL POLICY

The Healthcare Law and California Small Businesses

How the new law impacts your bottom line

Sunnyvale, CA
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Certified
Educator

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About Small Business Majority



- **Small business advocacy organization** – founded and run by small business owners
- **National** – based in CA – with additional offices in Washington, DC, NY, OH, CO and MO
- **Research and advocacy** on issues of top importance to small businesses (<100 employees) and the self-employed
- Very focused on **outreach to and education** of small business owners across the country

Small businesses – struggling with costs



- **Our National 2008 study:** Small business **health costs would more than double** by 2018 without any reforms – 5X rate of inflation – \$2.4 trillion nationally (\$243 billion in CA)
- Small firms pay **18% more** than large businesses
- 29.5% **self-employed:** uninsured (CA: 826,000)
- 25% of **small employers:** uninsured (CA:175,000)

Small businesses – struggling with costs



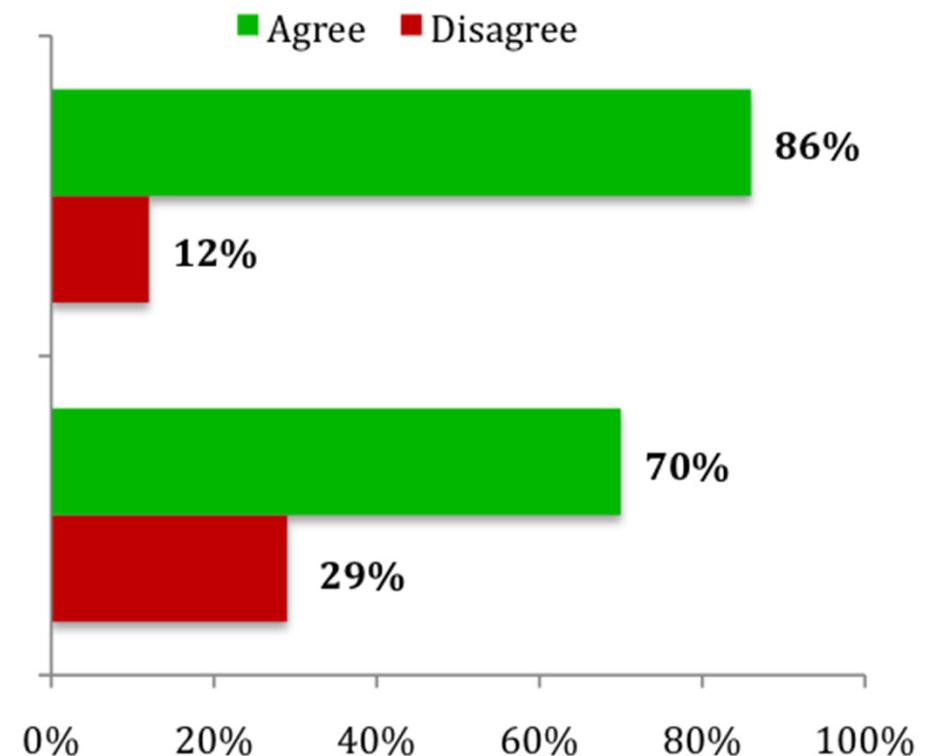
Our opinion survey: 86% of CA small businesses don't offer because of **cost**; 70% of those who do offer say they are struggling to do so

My business cannot afford to provide health coverage.

(Asked of those who don't provide coverage)

My business is really struggling to afford the cost of health coverage.

(Asked of those who do provide coverage)



Topics for Discussion



- Affordable Care Act Consumer Protections
- Cost Containment Provisions
- Small Business Tax Credits
- Employer Responsibilities
- Individual Responsibility (incl. self-employed)
- Health Insurance Marketplace
- Covered California
- Questions and Comments



The Affordable Care Act



- Builds on **existing healthcare system**
- Aims to **rein in healthcare costs**
- **Implementation** primarily the responsibility of the states (small business input essential)
- **Upheld by U.S. Supreme Court**
- Some important benefits went into effect **immediately**
- Others implemented from **2010-2015**



Affordable Care Act Consumer Protections



- No pre-existing conditions – “Guaranteed Issue”
- Dependents can stay on parents plan until age 26
- No gender based premiums
- No lifetime caps on dollar value of services
- All plans include **10 essential health benefits**

1. Ambulatory patient services

6. Prescription drugs

2. Emergency services

7. Rehabilitative and habilitative services and devices

3. Hospitalization

8. Laboratory services

4. Maternity and newborn care

9. Preventive and wellness services and chronic disease management

5. Mental health and substance abuse disorder services, including behavioral health treatment

10. Pediatric services

Cost Containment – Cutting costs saves small businesses money



- Exchanges leverage **pooled purchasing power** to lower premiums
- Ensure that **more \$\$ go to medical care**
 - 80/20 Rule: Requires insurers to spend **at least 80%** of small business premiums on medical claims. Limits administrative costs to **20%**. (Estimated \$1.1B in rebates issued in 2012 nationally; 28% small business plans.)
- Premium increases are now **reviewed by state**
- Incentives for **prevention and wellness**
 - Grants for up to 5 years to small employers that establish new **wellness programs**
- Other incentives for **administrative efficiency and modernization** (e.g. pay for performance)
- Aims to reduce “**hidden tax**” of \$1,000 per year

Small business tax credits



- **In effect now** (as of tax year 2010)
 - \$40 billion in credits by 2019
- Which businesses & non-profits are eligible?
 - Fewer than **25** full-time employees
 - Average annual wages **<\$50,000**
 - Employer pays at least **50%** of the premium cost

Small business tax credits



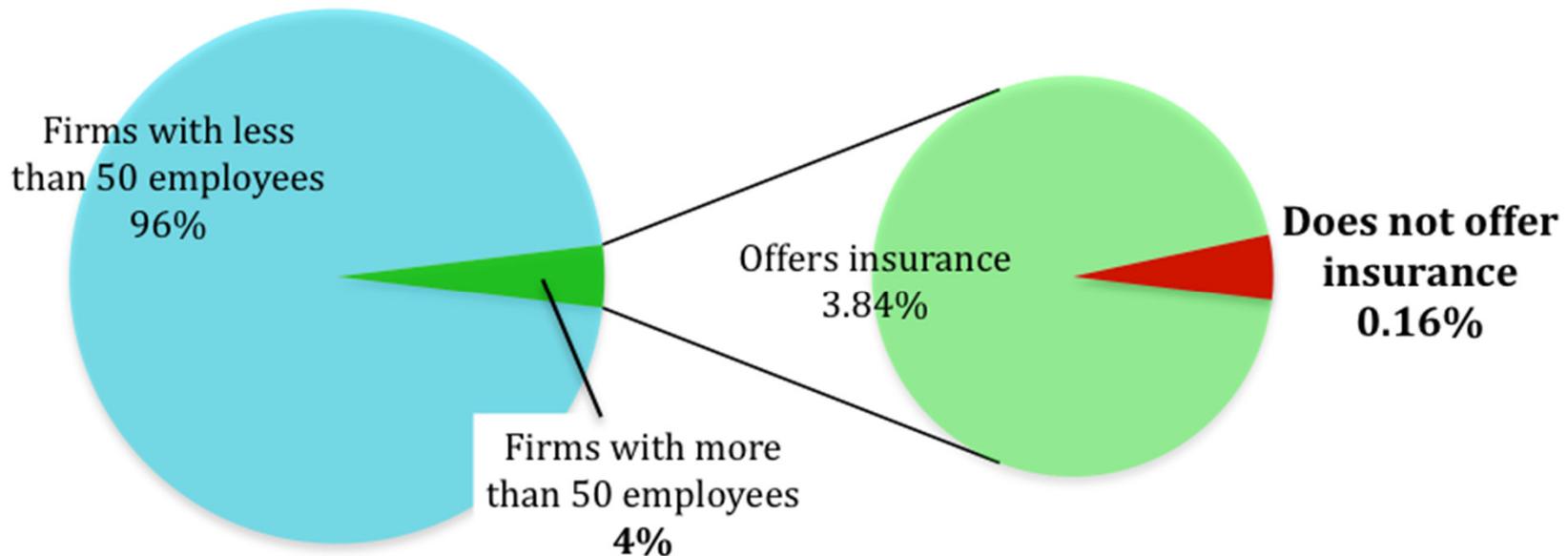
- Tax credits on a **sliding scale**:
 - Up to 35% 2010–13
 - Up to 50% any two years beginning in 2014
- Tax credits do not cover premium expenses of owners or their families
- Can amend your taxes for past years
- **Our report** – **375,310 CA businesses are eligible** (70% of all small businesses); 158,000 CA businesses eligible for the maximum credit



Employer shared responsibility – For larger employers - Begins 2015



- **No business mandated to offer coverage**
 - Large firms *may* pay penalty for not offering (**Jan 1, 2015**)
- Businesses with **fewer than 50 FTEs** are **exempt** from any penalties or requirement to offer coverage (96% of all businesses)



Employer shared responsibility – For larger employers



- **Am I above or below 50 full-time employee threshold?**
 - At least 50 full-time employees or combination of full-time/part-time employees equivalent to 50 full-time employees
 - Full-time employees: at least 30 hours per week
 - Part-time employees: add up total hours worked, divide by 30
 - Seasonal employees (≤ 120 days per year) cannot put you over 50 FTE threshold
- Size of firm determined **annually**
- Fee (if any) determined **monthly**



Employer shared responsibility – For larger employers



- Failing to offer coverage: **\$2,000** per year for each full time employee per year, **excluding the first 30 full time employees**
 - Firms only pay fee if at least one employee qualifies for federal financial assistance in Exchange.
- Failing to offer “affordable” coverage that provides minimum value: – **\$3,000** per year for each full time employee receiving federal financial assistance in exchange
 - **What is “affordable”?** – Employee’s share of premium does not exceed 9.5% of employee annual income (not household);
 - **Minimum value:** Plan covers at least 60% (average) of healthcare expenses

Employee notifications



www.dol.gov/ebsa/healthreform

- Employers required by the **Fair Labor Standards Act (FLSA)** to notify employees of coverage options available through the Insurance Marketplace.
- Notifications to existing employees must be out by Oct 1, 2013 and all new employees beginning Oct 1 should receive this notice.



New Health Insurance Marketplace Coverage Options and Your Health Coverage

Form Approved
OMB No. 1210-0149
(expires 11-30-2013)

PART A: General Information

When key parts of the health care law take effect in 2014, there will be a new way to buy health insurance: the Health Insurance Marketplace. To assist you as you evaluate options for you and your family, this notice provides some basic information about the new Marketplace and employment-based health coverage offered by your employer.

What is the Health Insurance Marketplace?

The Marketplace is designed to help you find health insurance that meets your needs and fits your budget. The Marketplace offers "one-stop shopping" to find and compare private health insurance options. You may also be eligible for a new kind of tax credit that lowers your monthly premium right away. Open enrollment for health insurance coverage through the Marketplace begins in October 2013 for coverage starting as early as January 1, 2014.

Can I Save Money on my Health Insurance Premiums in the Marketplace?

You may qualify to save money and lower your monthly premium, but only if your employer does not offer coverage, or offers coverage that doesn't meet certain standards. The savings on your premium that you're eligible for depends on your household income.

Does Employer Health Coverage Affect Eligibility for Premium Savings through the Marketplace?

Yes. If you have an offer of health coverage from your employer that meets certain standards, you will not be eligible

Two notices available:

- For employers who **do** offer coverage,
- For employers who **do not**.

Large employer responsibility: W2 reporting



- **W2 reporting** – informational only
 - Allows workers to see how much employer is spending on health benefits
 - Firms with fewer than 250 workers **exempt** until further notice
- **Summary of Benefits and Coverage** – Insurers provide employers a summary of benefits; employers must share info with workers (Sept. 2012)

Individual responsibility requirement (incl. Self-Employed)



- Beginning in 2014, **most individuals** required to; obtain minimum coverage or pay penalty
- **Exemptions** for certain religions and very low-income individuals (\leq \$9,500 per year)
- **Acceptable coverage:** Employer sponsored, Individual, Medicare, Medi-Cal, Covered CA, etc.
- **Penalty** (greater of) :
 - 2014: \$95 or 1% of annual income (MAGI)
 - 2015: \$325 or 2%
 - 2016: \$695 or 2.5% (2016)
- About **1-2%** of population expected to pay fee

What is a Health Insurance Marketplace?



- Online marketplaces **pool** together individuals and small businesses to **increase buying power** and **drive down coverage cost**
- **Marketplaces designed by states** – or by federal gov't if a state so chooses
- **Voluntary** – members of Congress and staff required to use Marketplace
- **Not a new concept** - Business groups, non-profits, state gov'ts already run similar programs in CA, CT, MA, NY, UT
- **Important dates** (nationwide):
 - Open enrollment began October 1, 2013
 - Coverage begins January 1, 2014

What is Covered California?



California's Health Insurance Marketplace

- **First** marketplace (exchange) in the nation – enacted in 2010 as **bipartisan** effort
 - Governed by **independent public** board;
 - Received **federal** funding for planning; Exchange self-funding by 2015; **no state dollars** spent
 - **Stakeholder advisory panels** providing input from small business owners and business organizations
 - Emphasis on **outreach and education** through community and small business groups
-
- **What they are not**: government insurance; death panels; socialized medicine; raising the cost of everyone's insurance



What is Covered California?



Vision

Improve the health of all Californians by assuring their access to affordable, high quality care.

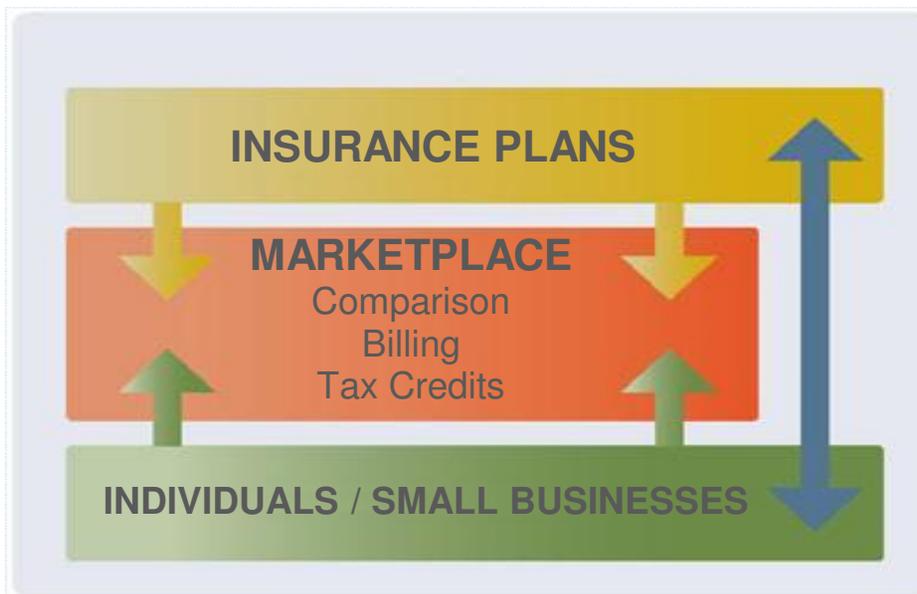


What is Covered California?



Two doors:

- Individuals & Families (incl. self-empl)
- Small Business Health Options Program “SHOP” (2-50 employees)



- **One-stop shop web portal** to buy commercial insurance
- **Compare** plans for information about price, quality and service
- Plans **organized by level**: bronze, silver, gold, platinum
- **Calculator** to compare costs across plan options
- **Streamlined** billing process



“SHOP” Products & Services



- **Competing health insurance plans** selected using **active purchasing power**
 - Employer defined contribution; Employee choice
 - Access to small business tax credits
 - Simple administration/HR services
 - Enrollment support
 - **Certified insurance agents** provide valued service in determining best plan based on needs/budget; offer solutions in and outside Covered California
 - **Certified enrollment entities** provide in-person assistance with enrollment and navigation



“SHOP” Benefits



- **Employer Defined Contribution**

- Employer selects a metal tier or “benchmark” plan and the percentage they want to contribute to their employee’s premium
- *Benefit: Allows for predictable costs and set budget*

- **Employee Choice**

- Employee selects any plan within the employers benchmark plan.
- *Benefit: Freedom for employee to choose plan that meets needs.*



SHOP Enrollment



- **Option to enroll** for Jan. 1, 2014 effective date; according to their current policy's renewal date; at another date they choose
 - Once enrolled, the employer's coverage and premiums are set for 12 months
- **Employer** completes the **SHOP Employer Application**
 - CA business license and DE-9C reconciled by the employer
- **Employees** complete the **SHOP Employee Application**
 - Applications can be filled out **online, by phone, fax, or paper.**
- Covered California verifies eligibility and issues one consolidated, monthly invoice to the employer for all health plan premiums.

Making Coverage Affordable – Financial assistance options



- 1. Premium Assistance/Tax credits** for individuals earning between **138% and 400%** of federal poverty level (FPL); Family of 4 earning \$23,000 to \$92,000; Individual earning up to \$45,960
 - Not eligible for premium assistance in Covered CA if employer offers **affordable** insurance; available to **US citizens** and **legal** immigrants
- 2. Cost-sharing reductions** on out-of-pocket costs for individuals earning up to **250%** FPL who purchase **silver** plan; Family of 4 earning up to \$58,875
- 3. Medi-Cal expansion** – Income limit raised to **138%** FPL; Adults without children are now eligible; Individual earning up to \$15,856 (**1.4 million** newly eligible in 2014)





2014 Sliding Scale Benefits | SINGLE

SILVER PLAN (Eligible for Premium Assistance)

Annual Income	\$15,856 – \$17,235	\$22,980	\$28,725	\$45,960
Consumer Portion of Monthly Premium for Silver Plans (Balance paid by Federal subsidy)	\$19 – \$57	\$121	\$193	\$364
Copays In the Yellow Sections are Not Subject to ANY Deductible and Count Toward the Annual Out-of-Pocket Maximum			Benefits In Blue are Subject to Either a Medical Deductible, Drug Deductible or Both	
Deductible (if any)	No Deductible	\$500	\$1,500 Medical Deductible	\$2,000 Medical Deductible
Preventative Care Copay	No Cost	No Cost	No Cost	No Cost – 1 Annual Visit
Primary Care Visit Copay	\$3	\$15	\$40	\$45
Specialty Care Visit Copay	\$5	\$20	\$50	\$65
Urgent Care Visit Copay	\$6	\$30	\$80	\$90
Lab Testing Copay	\$3	\$15	\$40	\$45
X-Ray Copay	\$5	\$20	\$50	\$65
Generic Medication Copay	\$3	\$5	\$20	\$25
Emergency Room Copay	\$25	\$75	\$250	\$250
High cost and infrequent services like Hospital Care and Outpatient Surgery	10%	15%	20% of your plan's negotiated rate	20% of your plan's negotiated rate
Brand medications may be subject to Annual Drug Deductible before you pay the Copay	No Deductible	\$50 then pay the copay amount	\$250 then pay the copay amount	\$250 then pay the copay amount
Preferred brand Copay after Drug Deductible	\$5	\$15	\$30	\$50
MAXIMUM OUT-OF-POCKET FOR ONE	\$2,250	\$2,250	\$5,200	\$6,350
MAXIMUM OUT-OF-POCKET FOR FAMILY	\$4,500	\$4,500	\$10,400	\$12,700

2014 Providers



Individual Marketplace



Health care you can count on.
Service you can trust.



L.A. Care
HEALTH PLAN®



Valley Health Plan



SHOP Marketplace



Resource – Cost Estimate Calculator



Get Covered Calculator | Covered California™

http://www.coveredca.com/fieldcalc/#calculator

COVEREDCA.COM SHOP AND COMPARE ABOUT GET CONTACTED ESPAÑOL

COVERED CALIFORNIA

The Covered California Shop and Compare Tool

Before you get started: If you currently receive affordable health insurance through an employer or public program, unfortunately, you can't buy insurance through Covered California. Covered California is primarily designed to help individual Californians get coverage, many of whom will get financial help.

Household Information

Number of people in the household *

Household Income * Annual

ZIP Code *

95023: San Benito County (Region 9)

Enrollee Information

Only enter members of your household who would enroll in Exchange coverage.

Enter the **AGE** of each adult

Adult 1 (over 18)

Adult 2 (over 18)

+ Add adult - Remove adult

Number of dependents age 18 or under

0 1 2 3 or more

Total people covered:

Breaking Down the Monthly Cost

See My Options

Get Covered | Covered California™

http://www.coveredca.com/fieldcalc/#healthplans&ui-state

Metal Tiers: Platinum, Gold, Enhanced Silver 70, and Bronze

The four options displayed below detail the options that are the lowest cost and best value for you. You can compare the benefits provided at each plan level or "metal tier." The two best options for you are the Enhanced Silver 70 or the Bronze plans.

- Due to your income level, you qualify for the Enhanced Silver 70 plans, which provide assistance with out-of-pocket costs in addition to premium assistance. Enhanced Silver 70 plans will cover an average of 70% of costs, meaning that, on average, you will be responsible for 30% of your health care costs. Most common covered services under the Enhanced Silver Plan do not have a deductible.
- You could also select a Bronze plan. Bronze plans cover an average of 60% of costs, meaning that, on average, you will be responsible for paying 40% of your health care costs. Also, most services covered by the Bronze plan are subject to a deductible, or amount you must pay out-of-pocket before the plan will cover costs.

You can compare the charts below to see what your costs would be under each plan. It is important to understand the benefits and risks, and determine how much health care you expect to use. While the Bronze plan has the cheapest monthly premium, the Enhanced Silver Plan provides a lower risk of out-of-pocket costs, making it a better value for most people.

STANDARD BENEFITS FOR INDIVIDUALS

Key benefits	Bronze 60	Enhanced Silver 70	Gold 80	Platinum 90
	Benefits in Blue are Subject to Deductibles		Copays in Black are Not Subject to any Deductible and Count Toward the Annual Out-of-Pocket Maximum	
Deductible	\$5000 deductible for medical & drugs	\$1,500 medical deductible	no deductible	no deductible
Preventative Care Copay ¹	NO COST at least 1 yearly visit	NO COST at least 1 yearly visit	NO COST at least 1 yearly visit	NO COST at least 1 yearly visit
Primary Care Visit Copay	\$60 3 visits per year	\$40	\$30	\$20
Specialty Care Visit Copay	\$70	\$50	\$50	\$40

Resource – HealthCoverageGuide.org



The screenshot shows the homepage of HealthCoverageGuide.org. At the top left is the Small Business Majority logo. The top right features the site name "HealthCoverageGuide.org" with a magnifying glass icon. A dark navigation bar contains links for Home, Part One: Getting Started, Part Two: Getting Covered, Affordable Care Act, Reference Guide, Helpful Tools, and About. Below the navigation bar is a large image of three business professionals (two men and one woman) looking at a tablet. Underneath the image is a text box: "Everything small business owners and their advisors need to know about offering health insurance. An unbiased resource on cost estimates, tax savings, coverage options, legal rights, and more." Below this are four content cards: "Part One: Getting Started", "Part Two: Getting Covered", "The Affordable Care Act", and "Reference Guide & Helpful Tools". Each card has a brief description and a "Go" button. At the bottom, there is a search bar, social media icons for Facebook, Twitter, LinkedIn, YouTube, and Google+, and a section for "ABOUT US / CONTACT US" with links for "Home", "Register for updates", and "..."

- Objective resource to help small businesses navigate the new healthcare system both in and out of the SHOP marketplace
- Step-by-step guide if employers decide to offer coverage, alternative healthcare options if you don't
- Tools like the mall Business Tax Credit calculator and action plan checklist

For more information



- SBM Website:
www.SmallBusinessMajority.org
 - Detailed FAQ & Summary
 - Tax Credit Calculator
- Covered California:
www.CoveredCA.com
- Healthcare Coverage Guide:
www.HealthCoverageGuide.org
- Health Law Guide for Business:
www.HealthLawGuideForBusiness.org

Contact Information

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Ways to Get Involved with SBM:

- Receive a monthly newsletter
- Share your story for media requests
- Letters to the editor/Op-eds
- State events/Roundtables
- Webinars for business organizations

Connect with us!

@SmIBizMajority



Small Business Majority