



## HEALTH INSURANCE REFORM AT A GLANCE HELPING SMALL BUSINESSES

### WHY SMALL BUSINESSES NEED HELP

- **LESS THAN HALF INSURE WORKERS:** Only **45%** of America's smallest firms currently can afford to offer health care benefits. In fact, **60% of America's uninsured—or 28 million—are small business owners, workers, and their families.**
- **COSTS GOING UP:** Insurance costs for small businesses have increased **129% since 2000.**
- **SMALL BUSINESS EMPLOYEES PAY MORE:** Small business employees pay an average of **18% more in premiums** than those in large firms for the same benefits. Their **deductibles are more than double.**
- **HIGHER ADMINISTRATIVE COSTS:** **Up to 25% of the cost of premiums** is for administrative costs for some small business health plans, compared to 10% for large firms.

### VAST MAJORITY OF SMALL BUSINESSES EXEMPT FROM SHARED RESPONSIBILITY REQUIREMENT

#### SMALL BUSINESSES WITH FEWER THAN 50 EMPLOYEES ARE EXEMPT FROM SHARED RESPONSIBILITY REQUIREMENT:

- In recognition of the fact that providing employee health coverage is simply unaffordable for many of America's small businesses, the bill exempts all small businesses with fewer than 50 employees from the bill's shared responsibility requirement, which begins in 2014. This means that, under the bill, **96% of America's businesses will be exempt from the shared responsibility requirement.**
- Starting in 2014, small business employees will have access to a Health Insurance Exchange where they will have the group purchasing power of a big business to get lower prices and better quality coverage.

#### THE SHARED RESPONSIBILITY REQUIREMENT FOR FIRMS WITH 50 OR MORE EMPLOYEES:

- Under the bill, beginning in 2014, employers with 50 or more employees that do not offer health insurance coverage will pay an assessment of \$2,000 per full-time worker if any of their employees obtain premium tax credits through the Health Insurance Exchanges.
- However, to avoid disincentives to hire an additional employee above 49 employees, the bill subtracts the first 30 employees from this payment calculation.

### SMALL BUSINESS TAX CREDITS

#### THE BILL PROVIDES \$40 BILLION IN TAX CREDITS FOR SMALL BUSINESSES to help them offer employee coverage

- **The bill provides a sliding scale tax credit to small businesses with fewer than 25 employees and average annual wages of less than \$50,000 that purchase health insurance for employees.** The full credit will be available to employers with 10 or fewer employees and average annual wages of \$25,000 or less. To be eligible for a tax credit, the employer must contribute at least 50% of the total premium cost.
  - The small business tax credits begin immediately in 2010. **For 2010 through 2013,** this sliding-scale tax credit is worth **up to 35% of the small business's premium costs.** **Beginning on January 1, 2014, this rate increases to 50%.** Firms can claim the credit for 2010 through 2013 and for any two years after that.
  - The estimates are that **60% of American's businesses will qualify for these small business tax credits under the bill.**
- **The tax credit is also available for eligible small non-profits.** For non-profits, the credit is worth up to 25% of a non-profit's premium costs for 2010 through 2013. Beginning on January 1, 2014, this rate increases to 35%.

## PROVIDING SMALL BUSINESSES THE SAME ACCESS TO QUALITY, AFFORDABLE COVERAGE THAT LARGE FIRMS HAVE TODAY

### ADVANTAGES OF NEW HEALTH INSURANCE EXCHANGES FOR SMALL BUSINESSES:

Beginning in 2014, the bill creates state-based Health Insurance Exchanges to make health insurance affordable and accessible for small businesses and the self-employed. By being given the ability to join a large pool, small businesses will now have access to the same types of quality, affordable coverage that only large firms have today. Small business employees will be able to do one-stop comparison shopping for an affordable insurance plan that offers:

- Lower rates that currently only large groups and firms get,
- Stable pricing from year to year,
- Lower administrative costs, and
- A choice of quality plans.

## TAX CREDITS WILL MAKE COVERAGE AFFORDABLE FOR MANY SMALL BUSINESS EMPLOYEES

Many of the small business employees who do not receive insurance through their employer and are on the Exchange will have access to sliding-scale tax credits to help them pay their premiums. **These tax credits will help many small business employees who currently find health coverage simply unaffordable finally be able to purchase coverage** for themselves and their families.

- **Premium Assistance Tax Credits:** Effective in 2014, for those with access to the Exchange, sliding scale tax credits are provided to individuals and families up to 400% of poverty. That means that the tax credits phase out completely for an individual with \$43,320 in income and a family of four with \$88,200 in income.

## ACCESS OF SMALL BUSINESSES TO THE HEALTH INSURANCE EXCHANGES

In the first years, the state-based Health Insurance Exchanges are targeted to serve the employees of small businesses. For 2014 through 2016, states must allow small businesses with up to 50 employees access to the state-based Exchanges – and have the discretion to allow businesses with up to 100 employees. Beginning in 2017, states will have the discretion to allow businesses with more than 100 employees access to the Exchanges.

## THE BILL'S INSURANCE REFORMS WILL BENEFIT SMALL BUSINESSES THE MOST

### UNDER STATUS QUO, SMALL BUSINESSES PAY PREMIUMS BASED ON EMPLOYEES' HEALTH STATUS:

- Insurance companies are currently permitted to charge higher health insurance premiums because of employee health status. Small businesses pay higher rates today because they do not have the advantage of large numbers of employees over which to spread insurance risk.

### STARTING WHEN EXCHANGES ARE AVAILABLE IN 2014, SMALL BUSINESSES CAN BUY POLICIES THAT NO LONGER:

- Deny coverage based on pre-existing conditions
- Selectively refuse to renew coverage
- Charge different premiums based on gender, occupation, or pre-existing conditions
- Set unreasonable out-of-pocket spending limits that drive families deep into debt

## SMALL BUSINESSES ARE PROTECTED IN BILL'S TAX ON HIGHEST EARNERS

To help pay for making health insurance affordable for small businesses and the middle class, the bill provides a modest increase in taxes for the nation's highest earners. Specifically, the bill slightly increases the Medicare Hospital Insurance (HI) tax on the portion of wages and self-employment income above \$200,000 for individuals and \$250,000 for married couples. It also broadens the taxable base of the HI tax to apply to dividends, interest, and other unearned income for individuals with incomes above \$200,000 and couples with incomes above \$250,000. **In broadening the base to apply to unearned income, the bill explicitly exempts income actively earned by people running a small, closely-held business (for example, active income earned from shares in an S corporation).**