

## SMALL BUSINESS HEALTH CARE TALKING POINTS

***The bill the President will sign makes a number of significant changes to health insurance in the US. How all of this will affect small business has been a matter of hot debate.***

***The bill itself is incredibly complex and affects individuals, insurers and employers through taxes, tax credits, changes in actuarial insurance coverage requirements, and mandates for individuals, and employers.***

***Many of the provisions of this bill will not actually become effective for several years.***

***This should allow small business owners some time to adapt to the coming changes.***

***The larger question is “what information will be available to aid these small businesses in their decision-making?”***

***Many of the reforms should allow small businesses to obtain coverage for their employees but, will those reforms be offset by other changes and mandates?***

***Small Businesses with fewer than 50 employees will not face mandates to provide coverage and those with payrolls of fewer than 25 will also receive some tax incentives to provide coverage.***

***Small Businesses will also be able to pool together to purchase coverage under what are called SHOP exchanges, which should potential allow small firms improved purchasing power. These exchanges will be organized on the state level. The pools are for up to 50 small businesses with fewer than 100 employees per business. This provision doesn't take effect until 2014.***

***Self-employed persons should find it easier to obtain coverage, through SHOP exchanges but the question is, 'what happens in the next 4 years?'***

***Until the SHOP Exchanges are set up, small businesses with 10 or fewer full-time-equivalent employees earning less than \$25,000 a year on average will be eligible for a tax credit of 35% of health insurance costs. (SBs with 11 - 25 workers and an average wage of up to \$50,000 are eligible for partial credits.)***

***The tax credit will remain in place, increasing to 50% of costs, for the first two years a company buys insurance through its state exchange.***

***Lifetime caps on employer-sponsored insurance will be removed by the end of the year. This may cause a significant increase in premium costs, and yet the provisions that reduce costs will not start until much later.***

***Small Businesses with more than 50 employees will have mandates and will face penalties for not offering health insurance through an "approved plan". Again, in 2014.***

***Many employers offer health insurance coverage but can still be fined if an employee does not like the plan and opt for a government sponsored plan.***

***Further, any "Cadillac plan" (premiums of more than \$10,200 for an individual policy per individual and \$27,500 per family) would be subjected to a tax. How much of that can small businesses expect to see in premium increases? Particularly older self-employed persons whose plans already approach that level.***

***There are a number of uncertainties:***

***Will mandated benefits and other insurance significantly affect plan pricing and drive small employers to offset costs with staff reductions?***

***Will early changes drive costs up faster than the later changes can possibly reduce costs?***

***Will the changes in the Senate reconciliation bill pass and delay the “Cadillac tax” until 2018, allow part-time employees to be counted toward the 50-employee group minimum, increase \$750-penalty to \$2,000 and impose the 3.8% surcharge on investment income.***

***What percentages of small businesses will face tax increases if there is an additional 3.8% Medicare payroll tax on “unearned income”?***