

Affordable Care Act Implementation

Smaller Employer Concerns

How many full-time¹ employees do you have?

< 50 employees	≥ 50 employees
Not required to offer coverage to full-time employees and dependents	Mandated to offer coverage to full-time employees and dependents
Will coverage in small business exchange (SHOP) be more affordable than coverage available today?	Will coverage in small business exchange (SHOP) be more affordable than coverage available today?
What will the effect of mandated benefits and rating rules in SHOP and the market outside be? More expensive?	What will the effect of mandated benefits and rating rules in SHOP be? More expensive?
Tax credit for eligible small businesses is available but difficult to qualify for.	Small business tax credit is not available. Limited to 25 or fewer employees with additional strings.
Can I compete for employees without offering coverage?	Can I compete for employees without offering coverage?

1) Defined as 30 hours per week on average; part-time hours are considered where there are fewer than 50 full-time employees.

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Coverage Choice Decisions & Considerations

<u>Offer coverage</u>	<u>Offer SHOP exchange coverage</u>	<u>Not offer coverage</u>
If 50 or more full-time employees or equivalents, could be subject to penalties for “unaffordable care”	Small employer purchasing exchange (SHOP)	If 50 or more full-time employees or equivalents, subject to penalty if do not offer coverage to full-time employees and dependents
Coverage is expensive, perhaps more so in future. Health insurance tax and reinsurance assessments will add to cost.	Tax subsidies for low income employees may be available, but phase out sharply above three to four times the poverty level.	Employees purchase coverage in individual Exchange, particularly if subsidies are available.
Market reforms may increase available coverage and remove barriers to coverage.	Private exchanges may be another option	
Essential health benefits coverage and rating rules also apply outside the exchange – also increasing coverage costs		
High dollar plan tax may apply after 2018		

See additional coverage concerns below

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*Additional Points to Consider re: Coverage Decision

Penalties may increase as more employers choose to pay penalties rather than provide coverage.

Penalties do not fully offset coverage costs in exchange, adding incentive for increases in penalty amounts.

If employer increases salary to make up for lost benefits, employer FICA tax obligations will also increase; employer-sponsored benefits are excluded from income.

If employees choose to remain uninsured rather than seek coverage:

- 1) Increased absenteeism and presenteeism may result.
- 2) Workers Compensation cost may go up for what are actually non-work related health costs.

Competitors may seek advantage by continuing to offer coverage.

Coverage through the exchange may be more expensive due to the rating requirements and essential health benefits coverage.

Subsidies phase out rapidly: subsidies will be significantly less for those at three and four times the poverty level than for those at two times and below.

Some employees may not be eligible for subsidies at all and will bear the cost entirely on their own.

- 1) These employees may depart to seek employment with coverage elsewhere.