



Impact of Healthcare Reform on Small Business

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Healthcare Reform and Small Business

- The Patient Protection and Affordable Care Act
 - Signed into law March 2010
 - An estimate of 32 million people newly insured
 - Penalties imposed on businesses and individuals for not complying
 - Medicaid is expanded
 - Potentially higher state and federal taxes
 - Implemented in phases
 - March 2010, January 2011 and January 2014
 - Substantial cost and coverage implications
 - Consumers
 - Providers
 - Insurers
 - Employers

Healthcare Reform and Small Business

- Small Business and the Current Health System
 - Small business is a vital employer
 - Firms with fewer than 20 employees account for 18% of private sector jobs in 2006 and 25% of net growth in jobs from 1992 to 1995
 - Small business is burdened by high insurance costs
 - Small firms pay 18% more per worker than large firms for the same healthcare policy
 - Small business is less likely to offer insurance to employees than larger businesses
 - 49% of firms with 3-9 workers and 78% of firms with 10-24 workers offered any type of insurance in 2008

Source: Council of Economic Advisors, July 2009

Healthcare Reform and Small Business

- Impact of Healthcare Reform on Small Business
 - Overall impact is likely to be neutral to positive for small business
 - Most consequential changes occur in 2014
 - Current changes have small effect on small business
 - Medicare coverage improvements for preventative services and medication
 - Changes to Medicare Advantage payments
 - Medicare incentives based on quality for physicians and hospitals
 - Health insurance companies required to spend 80-85% of premium on care
 - Healthcare coverage for dependent children up to the age of 26

Healthcare Reform and Small Business

➤ Major Impact Occurs in 2014

- Creation of insurance exchanges
 - Small businesses allowed to purchase from a multitude of plans in their state
- Tax credit for small businesses providing health insurance
- Exempt from pay-or-play provisions imposed on medium-to large-sized firms
- Employees of small businesses not offered insurance through work are allowed access to insurance exchange
 - Subsidy for low-income individuals and families
 - Acceptance of pre-existing conditions

Healthcare Reform and Small Business

➤ Massachusetts Experience

- State legislation passed in 2006 imposing individual mandate for purchase of health insurance and shared financial responsibility
- As of July 2007, employers with 11 or more employees are required to contribute to health insurance coverage or pay a “Fair Share” of up to \$295 annually per employee
- Commonwealth Health Insurance Connector
 - Insurance exchange with plans offered by six insurers offering a range of coverage options

Source: Kaiser Commission, September 2009

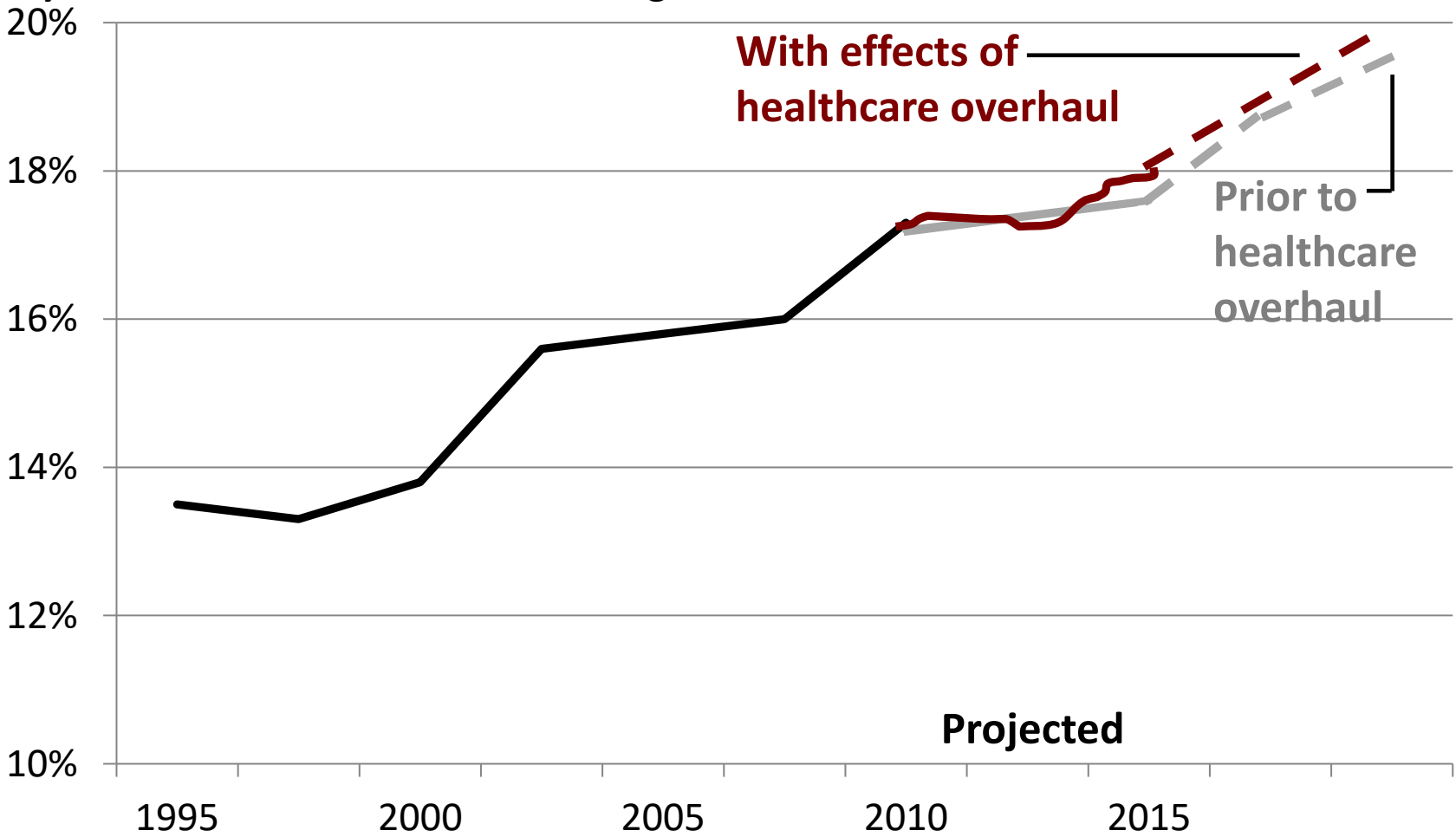
Healthcare Reform and Small Business

➤ Long Term Impact on Small Business

- Neutral in terms of cost for small business
 - In 2014, if an employer has an average of 50 full-time employees must offer health insurance coverage or pay a penalty
- Likely savings for small business
 - Lower insurance cost to employers purchasing via exchange
 - Tax credit for small business offering insurance
 - Shift of insurance cost to individual from employer as individuals have additional purchase options via exchange
- Likely quality improvements for small business
 - Improved worker productivity with improved access to healthcare
 - Larger pool of candidates if healthcare insurance benefit is not tied to size of employer

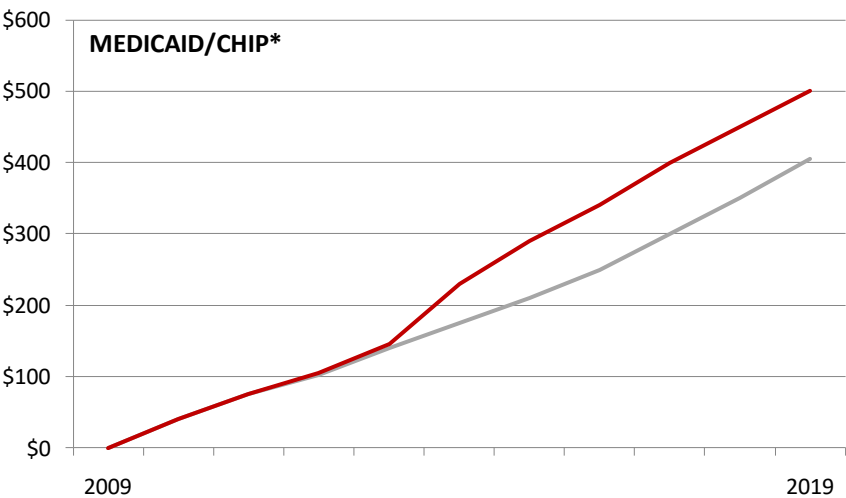
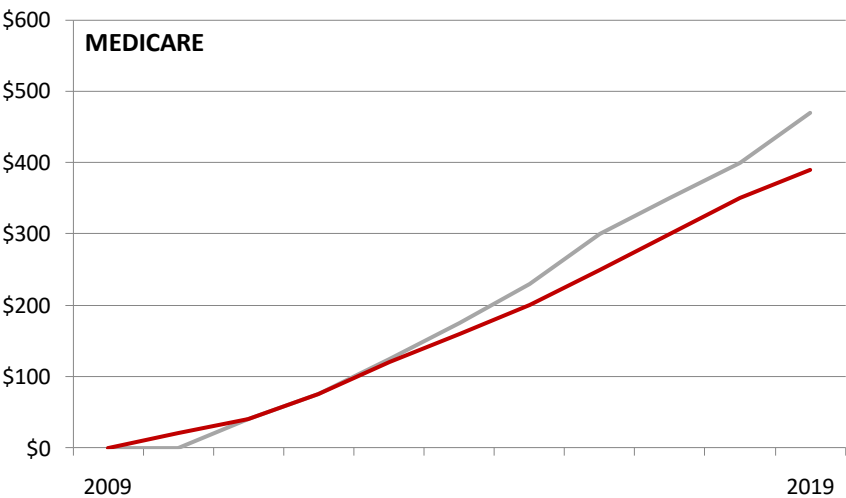
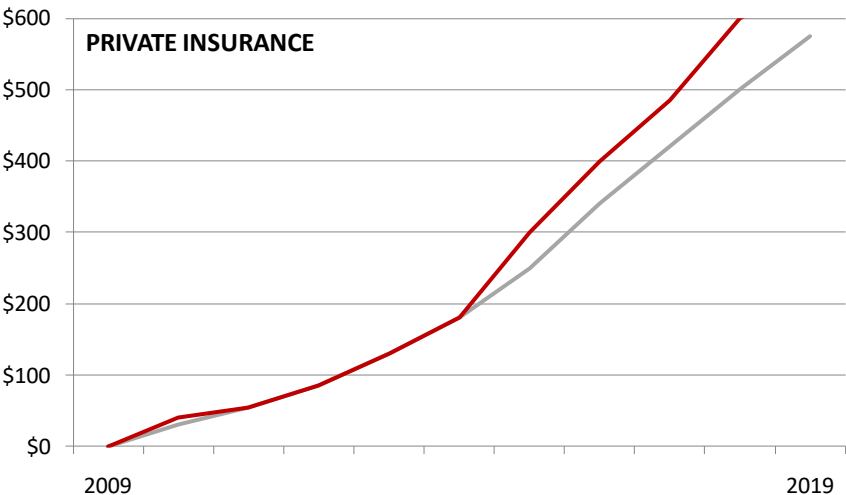
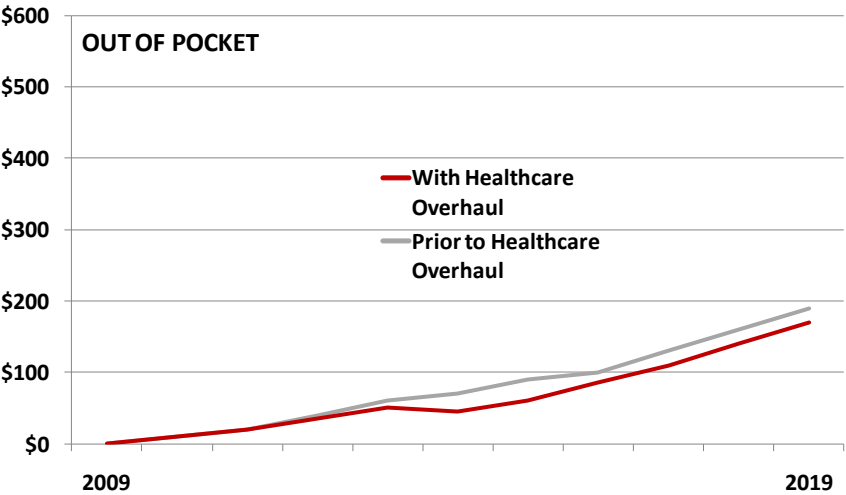
Law's Effect

The rate of increase in total U.S. health spending will be little changed by the healthcare overhaul, according to federal economists



Law's Effect

Cumulative in spending by source, in billions

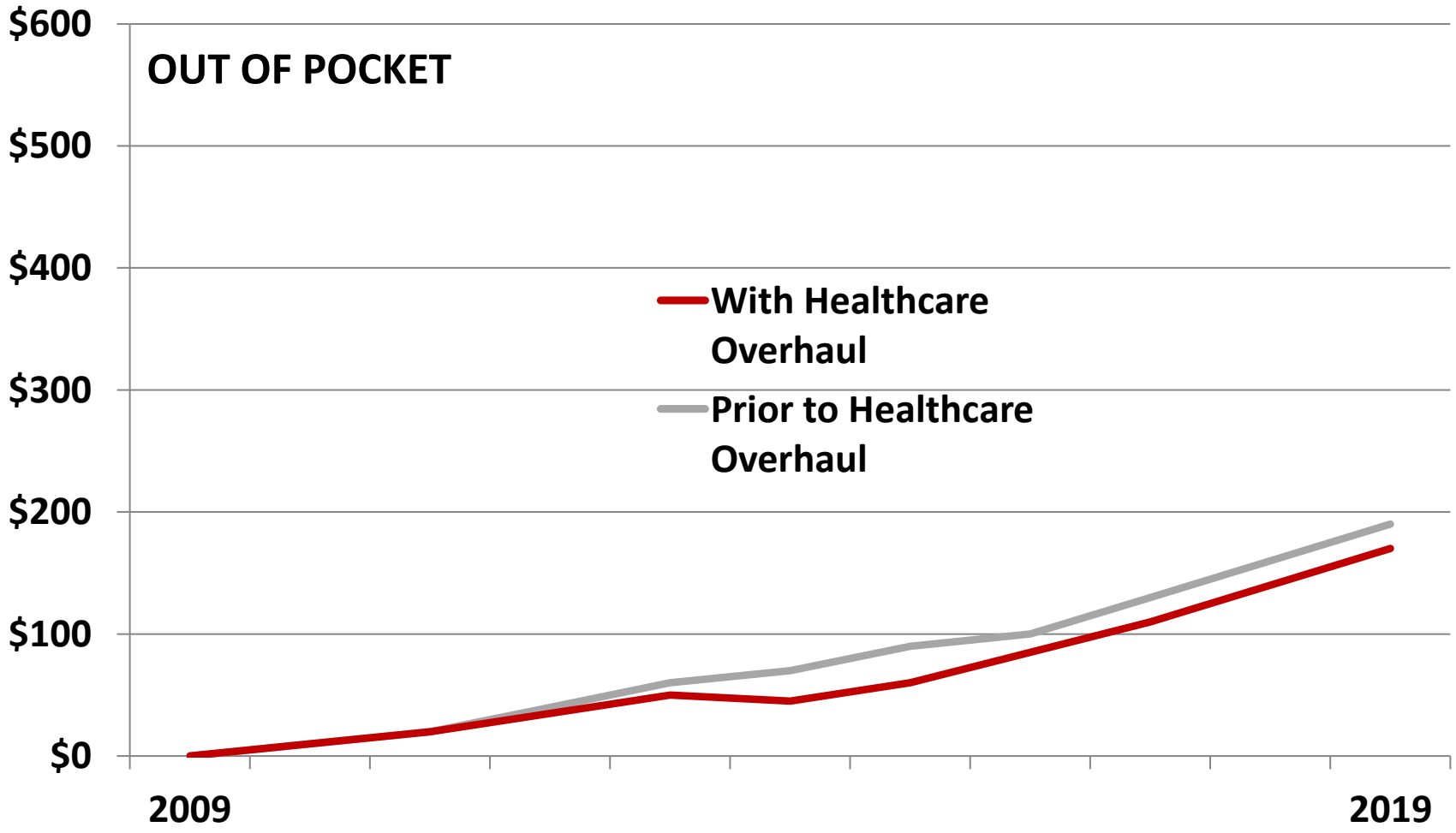


*Children's Health Insurance Program

Sources: Centers for Medicare & Medicaid Services; Health Affairs; WSJ, 9/9/10

Law's Effect

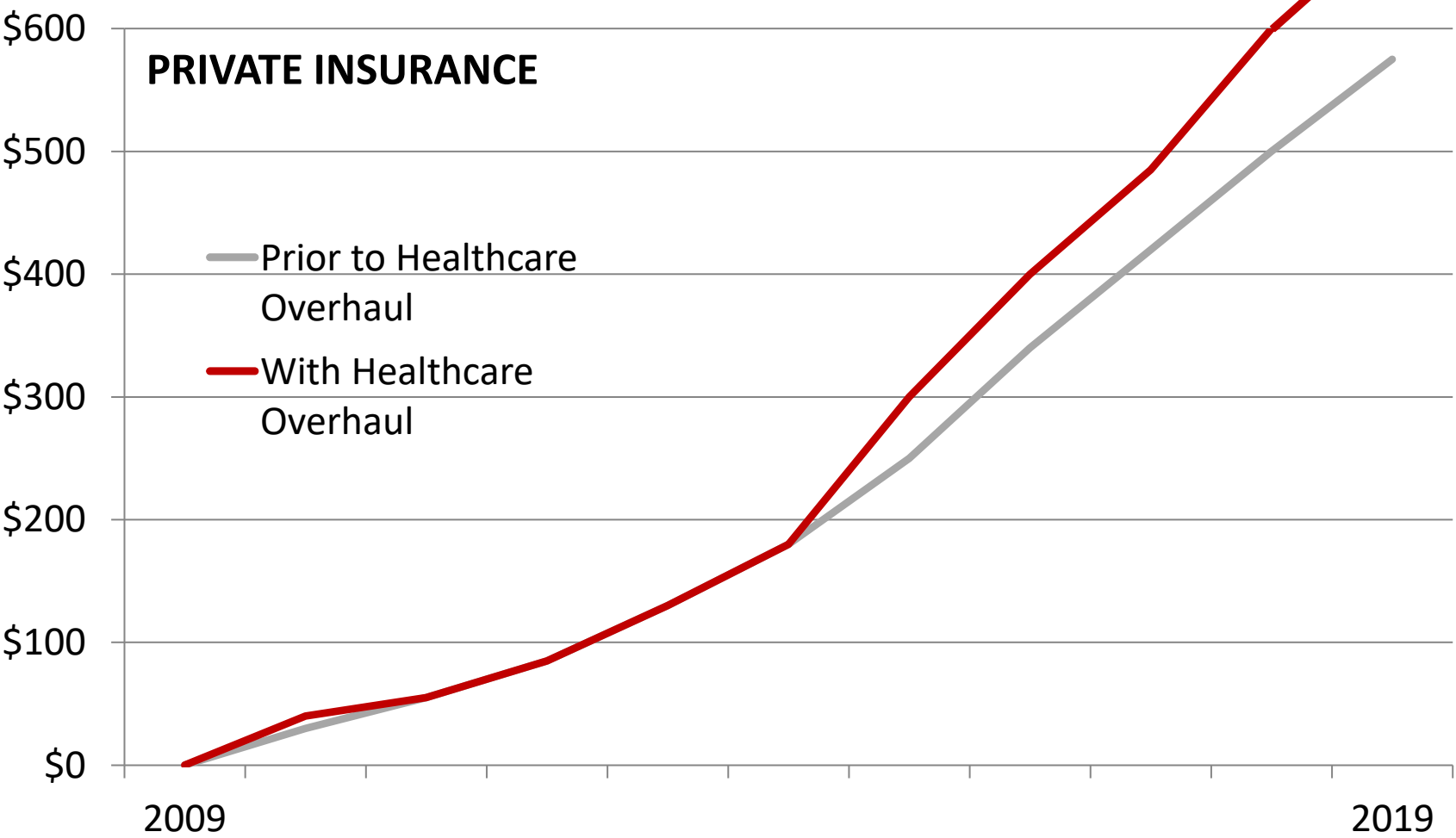
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Law's Effect

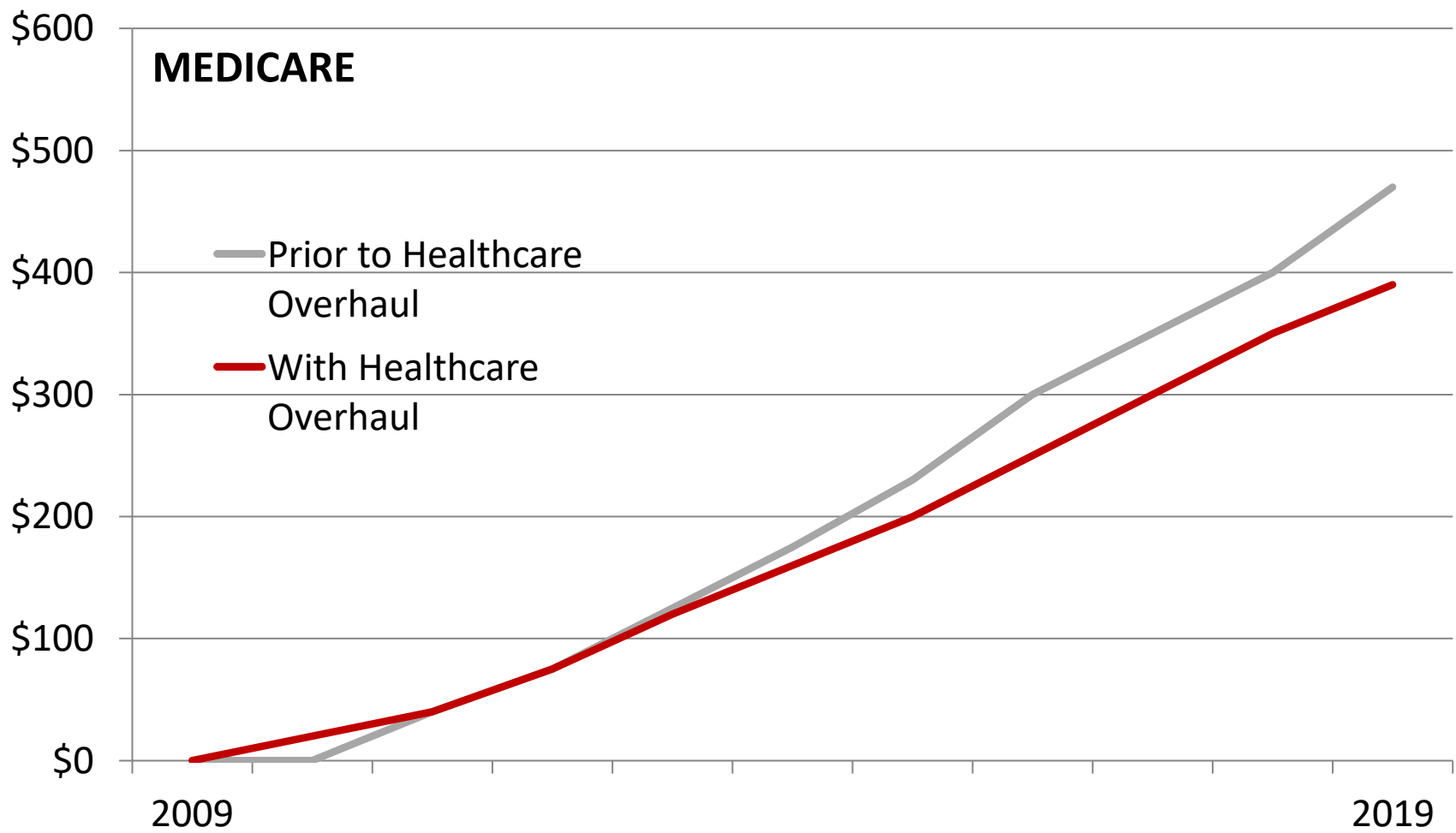
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Law's Effect

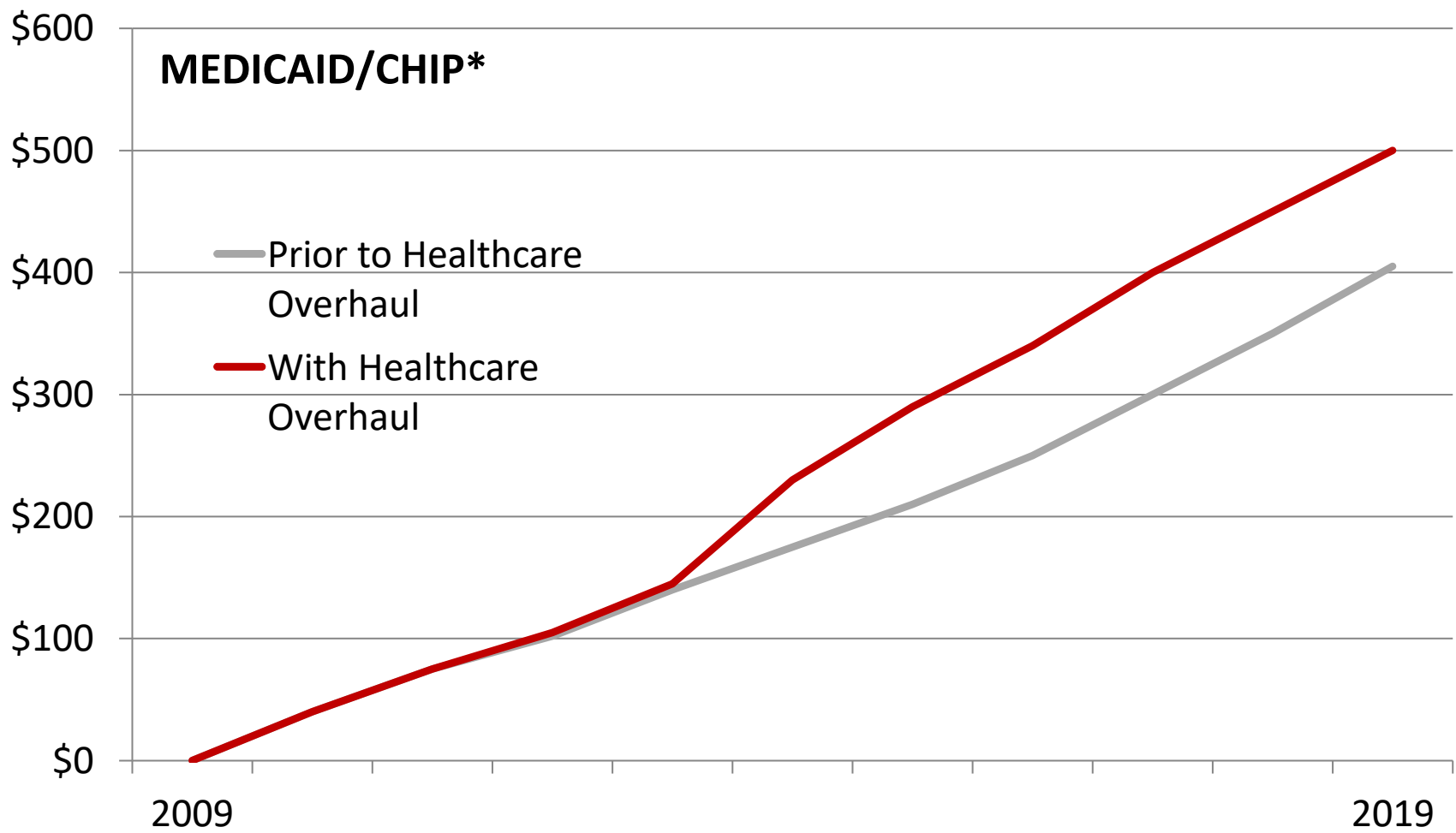
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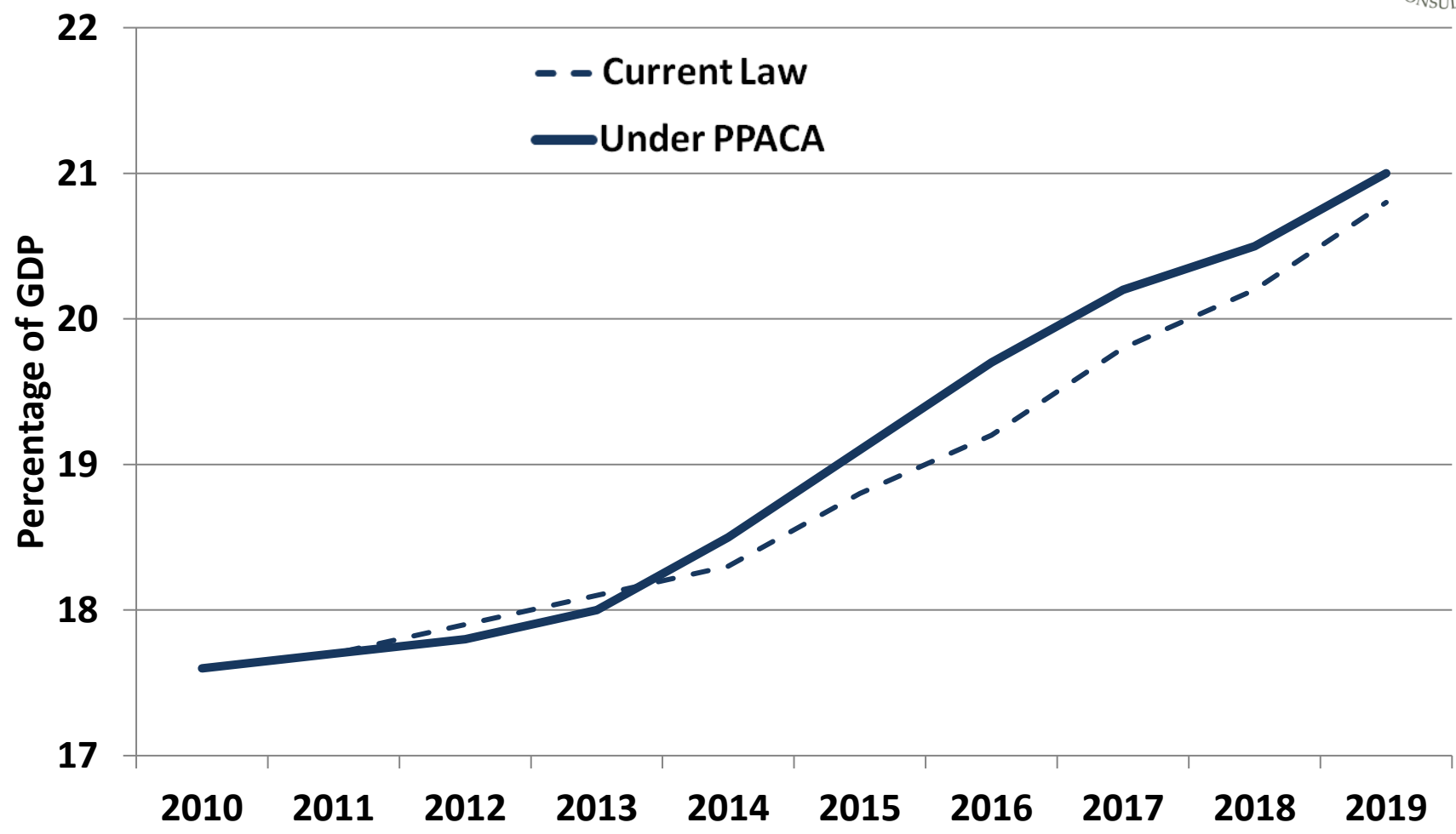
Law's Effect

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Estimated Increases in National Health Expenditures Under Patient Protection & Affordable Care Act (PPACA)



Source: Richard S. Foster, chief actuary, Centers for Medicare & Medicaid Services, "Estimated Financial Effects of the Patient Protection & Affordable Care Act," as Amended 4/22/10

Patient Protection and Affordable Care Act

Issue	What the law does	2010	Effective date
Business tax credits	Small businesses with no more than 25 employees can receive tax credits to help provide insurance to employees. The tax credit will be up to 35% of the employer's contribution if the employer pays 50% of the total premium cost		2010 tax year, with the credit increasing up to 50% in 2014
Temporary reinsurance program	A \$5 billion temporary reinsurance program allows employers to provide healthcare coverage for retirees over the age of 55 who are not eligible for Medicare		Effective now
Temporary high-risk insurance pool	A \$5 billion temporary national high-risk insurance pool has been created to provide health coverage to individuals with pre-existing medical conditions who have been uninsured for at least six months		Effective now
Pre-existing conditions	Insurance companies are barred from denying coverage to children who have pre-existing medical conditions		Effective now
Adult dependent children	Insurance companies must provide coverage for dependent children up to the age of 26		Effective now
Insurance coverage limits	Insurance plans are prohibited from placing lifetime limits on how much they pay out to individual policyholders and from rescinding coverage except in cases of fraud		Effective now
Medicare drug rebates	Medicare patients who face a gap in prescription drug coverage will receive a one-year \$250 rebate to help pay for medication		Effective now
Tanning salon tax	A tax of 10% is imposed on the cost of indoor tanning services		Effective now
Preventive services	Health insurance plans are required to cover preventive services such as immunizations for children and cancer screenings for women		Effective now

Patient Protection and Affordable Care Act

Issue	What the law does	2011	Effective date
Insurance rebates	Health insurance companies will be required to provide rebates to enrollees if they spend less than 80% to 85% of their premium dollars in healthcare as opposed to administrative costs		January 1, 2011
Community health centers	Funding will be increased by \$11 billion for community health centers that provide medical care to patients who can't afford it		October 1, 2011
Medicare "doughnut hole"	Drug companies must provide a 50% discount on brand name prescription drugs for seniors who face a gap in drug coverage. More subsidies will be phased in through 2020, when the coverage gap would be closed		January 1, 2011
Primary care	Primary care doctors and general surgeons practicing in areas that lack primary care doctors will receive a 10% bonus payment under Medicare		January 1, 2011, through 2015
New annual fee on drug makers	A total annual fee of \$2.5 billion will be imposed on pharmaceutical manufacturers		January 1, 2011
Tax changes on health care savings	The federal tax on individuals who spend money from healthcare savings accounts on ineligible medical expenses will double to 20%		January 1, 2011

Patient Protection and Affordable Care Act

Issue	What the law does	2012 - 2013	Effective date
Long-term care	A voluntary long-term care program called CLASS will be created after at least 5 years of contributions, enrollees will be entitled to a \$50-a day cash benefit to pay for community care		October 1, 2012
Annual fee on drug makers	The annual fee on drug manufacturers will increase to \$2.8 billion in 2012 and 2013; and \$3 billion for 2014-2016		January 1, 2012
Contribution limits on healthcare savings	The limit on how much individuals can contribute to flexible savings accounts that let people set aside money tax free for health costs will be set at \$2,500. Currently, employers set the limit.		January 1, 2013
Itemized deductions for unreimbursed medical expenses	The threshold for deducting such expenses will increase from 7.5% of adjusted gross income to 10%		January 1, 2013
Medicare taxes	The Medicare tax rate will increase to 2.35% from 1.45% on earnings over \$200,000 for individuals and \$250,000 for families. Also, for the first time, a 3.5% Medicare tax will be imposed on unearned income		January 1, 2013

Patient Protection and Affordable Care Act

Issue	What the law does	2014	Effective date
Health insurance exchanges	A state-based healthcare exchange – a marketplace where uninsured individuals and small businesses could comparison shop for insurance policies – will be created		January 1, 2014
Individual mandate	Most Americans will be required to buy health insurance or pay fines of \$95 per individual up to \$285 per family or 1% of taxable household income, whichever is greater		January 1, 2014
Employer requirements	Companies with 50 or more employees will pay a fine if any of their full-time workers qualified for federal healthcare subsidies		January 1, 2014
Medicaid expansion	The program for low-income Americans under the age of 65 will expand by increasing the income-eligibility to 133% of federal poverty, or \$29,327 for a family of four		January 1, 2014
Federal subsidies	Federal subsidies, which vary based on household income will help offset the cost of buying insurance for Americans and legal residents who qualify		January 1, 2014
Annual fee on insurance companies	An annual fee totaling \$8 billion will be imposed on health insurance companies		January 1, 2014

Patient Protection and Affordable Care Act

Issue	What the law does	2015 – 2016	Effective date
Individual mandate	Penalties for not carrying insurance will increase to \$325 for each family member up to \$975 per family or 2% of taxable household income, which is greater		January 1, 2015
Annual fee on insurance companies	The annual fee on health insurance companies will increase to \$11.3 billion		January 1, 2015
Individual mandate	Penalties for not carrying insurance will increase to \$695 for each family member up to \$2085 per family or 2.5% of taxable household income, whichever is greater		January 1, 2016
	What the law does	2017 - 2018	
Annual fee on drug makers	The annual fee on pharmaceutical manufacturers will increase to \$4 billion in 2017 and \$4.1 billion in 2018		January 1, 2017
Annual fee on insurance companies	The annual fee on health insurance companies will increase to \$13.9 billion in 2017 and \$14.2 billion in 2018		January 1, 2017
Excise tax on high-cost insurance plans	A 40% excise tax will be imposed on healthcare plans that cost more than \$10,200 for individual coverage and \$27,500 for family coverage		January 1, 2018

Source: USA today, 9/28/10; www.gov.com

Healthcare Reform Rollout: What Happens When

2010

- Young adults allowed to remain on parents' health plans until age 26
- Insurers prohibited from excluding children from coverage due to pre-existing conditions
- Group health plans and insurance companies providing group of individual coverage prohibited from rescinding coverage of existing enrollees
- Small businesses (including medical practices become eligible for tax credits to offset the premium costs of providing health insurance to employees
- People with pre-existing conditions become eligible for subsidized coverage through a national high-risk insurance pool.
- States can begin covering parents and adults without children up to 130% of the poverty level and receive matching federal contributions to pay for additional coverage

2010

- Medicare Part D Beneficiaries who reach the coverage gap ("doughnut hole") become eligible for \$250 rebate
- Patient out-of-pocket expenses are eliminated for proven preventive care services under Medicare and private plans
- Grants to establish primary care extension programs begin

2011

- Medicare Part D beneficiaries in the doughnut hole become eligible for a 50% discount on all brand-name drugs
- Center for Medicare and Medicaid Innovation to be established

2012

- Patient-Centered Outcomes Research Institute begins issuing grants to fund comparative effectiveness studies

2014

- Mandate requiring all individuals to carry minimal essential health insurance coverage goes into effect
- Insurance carriers required to accept every individual who applies for coverage and prohibited from rating on the basis of health status
- Deadline for states to establish insurance exchanges for individuals and companies with 50 to 100 employees
- Subsidies become available to help individuals and families earning between 133% and 400% of the poverty level to purchase insurance through exchanges
- Out-of-pocket limits for low- and moderate-income individuals and families go into effect
- Deadline for states to expand Medicaid eligibility to all adults and children up to 133% of poverty level

Source: Medical Economics, 5/21,2010

Popular Provisions

Healthcare Reform Bill

Although about half of Americans say they favor repeal of the new healthcare law, they want to keep most of its major components.

Percentage Supporting Key Parts

