

Advantages of Employer Sponsored Group Plans

You know that the ability to offer employees quality health insurance is a competitive advantage in the labor market today.

- Employee Loyalty – helps you recruit and retain the best talent.
- Increase Productivity and reduce employee absenteeism

Employer-sponsored health insurance is valuable for a number of reasons. People who are insured are protected against uncertain and high medical expenses. They are more likely to receive needed and appropriate health care. Coverage can improve the health of workers, so employees with health insurance could be sick fewer days and are more likely to be productive workers.

Many small businesses choose to offer health insurance as an additional employee benefit to attract and retain quality workers. An employer-based health insurance plan can also be an attractive option because of the favorable tax treatment to both employers and employees, as employee premiums may be payroll deducted before taxes under Internal Revenue Service Section 125. Because most large employers provide employer-sponsored health insurance, it also helps small businesses compete for talent and provides a valued benefit to promote employee loyalty and morale.

In 2010 the new Affordable Care Act (ACA) implemented tax credits. Starting in 2014, the maximum tax credit allowed is 50 percent (35 percent for nonprofits) and only available for a total of two consecutive years. Generally, businesses with 10 or fewer full-time-equivalent employees and yearly wages averaging less than \$25,000 will qualify for the highest credits. To qualify for any tax credit, employers must contribute at least 50 percent of employees' premium costs. Other considerations may apply – for a thorough look at whether your business is eligible for any portion of a tax credit under the Affordable Care Act (ACA), please consult with a certified tax consultant or attorney.

Does the Affordable Care Act require small employers to pay a tax if they don't offer health insurance to employees?

The answer is no. Under the Affordable Care Act, businesses with fewer than 50 full-time employees (or the equivalent in part-time workers) are not required to provide health insurance to their employees. And, on July 2, 2013 the mandate for employers with more than 50 employees was postponed for one year.

And, those employers will not face tax penalties if they decide not to offer their employees' health insurance.

AFFORDABLE CARE ACT

and

SMALL GROUP



Does the exchange serve small businesses?

The exchange will offer a Small Business Health Options Program (SHOP) that will offer health insurance choices to small businesses and their employees.



Do I have to get insurance for my employees?

No. Under the new health care law, the Patient Protection and Affordable Care Act (Affordable Care Act) employers under 50 full-time equivalent employees (FTE of 30 hours or more per week) are not required to provide employee health insurance.

Although employers with fewer than 50 full-time-equivalent employees will not face penalties, there are many good reasons employers choose to provide employees with health insurance.

Providing health insurance to employees helps you recruit and retain the best talent. Giving employees access to health coverage can keep small health problems from turning into costly big ones. Preventing illness can reduce absenteeism and increase productivity.



What happens if I do not cover my employees?

The health care law does not require businesses to provide insurance. For businesses with fewer than 50 full-time-equivalent employees, there are no penalties for not providing health insurance. Beginning in 2015, businesses with 50 or more full-time-equivalent employees may have to pay a penalty if they do not offer minimum essential coverage to their full-time employees. Businesses with fewer than 50 full-time-equivalent employees are not subject to these penalties.



Is my business eligible for tax credits?

Businesses that provide health care coverage may be eligible for some portion of tax credits if, for the tax year, they have fewer than 25 full-time-equivalent employees who are paid an average annual salary of less than \$50,000. To qualify for tax credits, the employer must also contribute at least 50 percent toward the employee's premium cost. Employers with 10 or fewer full-time-equivalent employees paying an annual wage of \$25,000 or less qualify for the maximum credit. Nonprofit or tax-exempt employers must meet the same criteria as other small businesses and their tax credits will be less.



How much is the tax credit?

The tax credit you receive as an employer will depend on a number of factors, including the number of full-time-equivalent Employees.

The federal government has not yet defined "full-time" or "full-time-equivalent" for purposes of determining whether a business is small or large. More information will be forthcoming in the months ahead and should be viewed at the health.gov site for full details or the irs.gov website.



If I decide to cover my employees, how does the SHOP help me?

The SHOP offers a website where you can apply online and offers a list of licensed agents certified to work within the exchange.



Can my employees choose any health plan offered by the SHOP?

Businesses can choose to find insurance in the same way that they have always done so through licensed agents and carriers. Additionally, businesses can go through the exchange to view and select agents and plans and carriers. The only difference is that a tax credit is only available through the exchange.



How much would my employees pay?

Whether in or out of the exchange, your employees can help pay part of their health insurance costs. Their share depends on the level of coverage you choose and the plan they select.

You can still decide which plans your employees must choose from, as well as determine how much you will contribute to the premium payment in either a fixed amount or as a percentage of total cost to the employees. This remains the same as it has always been when providing group coverage options to your employees.



How much will health insurance cost me as a business owner?

The cost of health insurance to the employer will depend on the choices made and plans selected, including:

- the level of coverage – Bronze, Silver, Gold or Platinum – you want to offer employees
- the amount of premium you as the employer will contribute, which can be a set dollar amount or a percent of the premium and must meet the minimum threshold to ensure that the coverage is affordable to your employees
- any amount you may want to contribute to family or dependent care



What if I have more than 50 employees?

If your business has more than 50 eligible employees but fewer than 101, you will be able to buy insurance through the exchange starting in October 2015 for coverage that begins in 2016. Meanwhile, you can continue to buy your health coverage in the private small- or large-group market.



What if my employees want their families covered too?

All of the insurance plans can insure employee spouses and dependents. This generally will cost more, so you will need to decide if you want to offer this coverage or leave the decision to your employees about buying insurance for their families through the individual exchange. Under the new insurance rules that take effect in 2014, your employees and their family members who do not have coverage through your business will be able to buy insurance through the exchange or in the individual market. If they do not have insurance, they may be subject to a penalty. Depending on income level, family members might also qualify for subsidized coverage or no-cost coverage through Medi-Cal/Medicaid. This program provides free medical services for children and adults with limited income and resources. Your local County Welfare/Social Services Department manages Medi-Cal/Medicaid eligibility determinations.



Can I purchase insurance through the exchange if I am self-employed?

The SHOP is designed for any business with up to 50 eligible employees. You must have at least one employee other than yourself who receives a W-2 tax form at the end of the year. If the only two employees are yourself and your spouse, you will not qualify as a two employee group. If you are self-employed without any employees, you are not eligible for the small-business SHOP exchange. Ask a licensed agent about your options to purchase insurance through the individual marketplace.