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Health Care Reform FAQ for Businesses

1. **I heard that all businesses now have to provide health insurance for their employees, is this true?**
 - a. Actually, it is individuals that are required to obtain health care from one source or another.
 - b. However, businesses with more than 50 employees will have to either offer health care for their employees and families or pay a penalty to the IRS. For those businesses that have more than 50 employees and chose to provide health care, the health insurance that you provide for your employees should abide by what is outlined below to avoid potential consequences:
 - i. The plan cannot cost more than 9.5% of a person's annual income
 - ii. The plan pays, on average, less than 60% of covered costs
 - c. It is estimated that 96% of businesses will not have to provide health care or pay any penalty.
2. **When does this health care reform take effect?**
 - a. Most of it does not occur until 2014. We are in the middle of a recession so big changes like this would be tough to do when everyone is struggling to stay afloat. Also, we need to give time for individuals, businesses and insurers to adapt their businesses and insurance policies.
3. **What does happen sooner?**
 - a. Existing plans are grandfathered in forever as long as their structure stays the same. Certain additional benefits will have to be added as follows:
 - i. Within six months of enactment, grandfathered plans must prohibit lifetime limits on essential health benefits and rescissions. They must also cover dependent children until the individual is 26 years old.
 - ii. By 2014, grandfathered plans must comply with the prohibition on waiting periods, and a prohibition on coverage exclusions for pre-existing conditions.

- b. Small businesses with average taxable wages of \$25,000 or less with 10 or fewer full time employees will be eligible for a 35% tax credit should they chose to provide health care for their employees. In fact that provision takes effect January 1, 2010 so you can get a credit for your health care costs this year during the recession. In 2014 the credit goes to 50%. (owners, partners, sub S shareholders do not add to the employee average wage calculation). The credit is taken on your annual tax return.
- c. New plans may not have annual or lifetime limits, must cover preexisting conditions for children and cannot drop people when they are sick
- d. Existing plans must provide the option to cover children up to age 26 if the employee so desires and plans cannot discriminate against children with preexisting conditions
- e. Grants will be made available to each state to set up high risk pools to cover uninsured adults with preexisting conditions (until exchanges are set up in 2014)

4. What happens in 2014?

- a. Businesses with over 50 full time employees must provide health care for their employees and families or pay a penalty.
- b. Plans may not longer have lifetime or annual benefit limits. Individuals with preexisting conditions may not be prohibited from getting on your health care plan.
- c. Small business tax credit raises from 35% to 50% of covered expenses for certain small businesses

5. I pay most of my employee's premium but there is no way I could pay most of an entire family's premium and stay in business?

- a. You will probably want to change how you structure your health insurance. You can increase your deductible to \$2000 per employee (\$4000 per family) to drive down cost.
- b. There are no requirements that you pay a set amount or percentage of your employee or their family's premium as long as your employee is not out of pocket more than 9.5% of their income. So pay less for your employee to pay some of the family costs.

6. Won't covering preexisting conditions, not allowing insurers to rescind health care for sickly folks and eliminating lifetime and annual benefit caps drive my insurance costs through the roof? I thought the goal of health care reform was to drive down costs not just add folks and benefits to a broken system.

- a. Actually there are a lot of provisions to drive down costs:
 - i. Insurance companies have long advocated requiring everyone to have health care so that the current healthy population does not wait to get insurance until they are sick; this tendency to sign up for insurance only when there is a problem adds costs to the system because folks have not paid over time like most insurance policies, and the cost of only insuring a sick population is expressed through higher premiums
 - ii. The generally younger population added to the health care rolls will pay in more than they will use at first, much like Social Security and Medicare.
 - iii. There are numerous cost saving mechanisms in the legislation such as more coordinated care incentives; Oregon is already way ahead of the curve in their use of community health centers, medical home and accountable care

organizations. There will be more transparency so businesses can see which plans and hospitals have lower costs and better results. There are incentives for better access and outcomes that Oregon is already a leader in. Hospitals and insurers will be held accountable for health related disorders that are picked up at the hospital. Better coding and payment systems including health IT will drive down costs substantially and provide better care. There is significant investment in rooting out fraud, waste and abuse in our medical insurance system.

- iv. Businesses and insurers will be able to lower premiums for employees that pursue healthier lifestyles.
- v. Comparative effectiveness research will provide patients and doctors better information about what drugs and procedures work best as well as how much these things should cost.
- vi. Money is set aside to investigate alternatives to tort claims to reduce the cost of defensive medicine.
- vii. There are disincentives put in place for high cost elaborate coverage plans that do not encourage restraint in over-utilizing our health care system.
- viii. The Secretary of Health and Human Services is directed to change reimbursement in our Medicare system (that directly influences how the private market works) so that we transition from paying for one test after another to a system that rewards, and is based on, getting good health care outcomes in two years.
- ix. The employer's total health care costs will now be fully deductible.
- x. Businesses will be able to associate in large groups to compete for lower premiums within a state and across state lines.

7. What is the penalty for businesses with over 50 full time employees if they do not provide the opportunity for health care coverage?

- a. It is \$2000 per employee but only assessed on the number of employees you have minus 30. This penalty is triggered by someone receiving a subsidy to purchase health care through the exchange

8. Do I have to pay a penalty if my employee chooses not to accept my health insurance coverage?

- a. Generally, no. As long as your plan does not force them to pay over 9.5% of their household income as their share or cover less than 60% of the total allowed costs of benefits you pay no penalty.
- b. If your plan fails these two tests and one of your employees gets a premium tax credit subsidy in the open market toward their health care costs your penalty will be \$3000 per employee that receives assistance or \$2000 per full time employee (not counting the first 30 employees), whichever is less.
- c. Many employees may choose to use their spouses coverage like they do now and you would incur no penalty.

9. What if I have part time employees, do I have to provide health care for them?

- a. Yes, part time employees are those working less than 30 hours per week.

- b. You total up the number of hours worked by your part time employees and divide by 120 to see how many 'full time equivalent' employees that count toward your 50 employee total calculation to see if you need to provide health care.

10. What if I have seasonal employees, do I have to provide health care for them?

- a. No, seasonal employees are those employees that work 120 days or less.

11. What are the requirements for the health care coverage I provide?

- a. As stated above, the only requirements are that it be open to the employees and their family, deductibles cannot exceed \$2000/employee or \$4000/family, the employee's share of the cost cannot exceed 9.5% of their household income and that the plan must cover at least 60% of the allowable costs.

12. What if they chose to go to a state exchange?

- a. They can but they get no tax credit subsidy so it is likely to be more expensive than staying on your employer's plan.
- b. (assuming the employee's share of the cost does not exceed 9.5% of their household income and that your plan covers at least 60% of the allowable costs)

13. What are these exchanges I have heard about? Can my business get health care coverage through them?

- a. At first there was talk of a national exchange everyone could join to help drive down health care costs by pooling large numbers of folks together to negotiate with insurance companies. That did not pass. Instead, each state is empowered to set up their own exchange to accomplish the same end but allow states, not the federal government, to decide. If a state chooses not to do an exchange, the federal government will provide that option for the state's individuals and certain small businesses so they have the same opportunities as other states.
- b. And the exchanges and other provisions allow businesses to buy insurance across state lines to drive down costs by encouraging competition.

14. I heard there is a government run plan that I or my employees could join?

- a. No, that idea was dropped.
- b. Only the state exchanges remain.
- c. There is only private insurance or the traditional government Medicaid, Medicare, Tricare, Veterans, type programs.

15. Did they fix the discrimination against business owners that have only been able to deduct half of their health care costs.

- a. Yes, business owner's premiums are now fully deductible.

For more detailed information please follow the links to:

Small business majority website: <http://www.smallbusinessmajority.org/>

The Majority Leader's Website: http://majorityleader.house.gov/members/health_care.cfm