



# VIEW*S* & VISIONS

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## Health Care Reform and Small Businesses: Bracing for Impact

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Small businesses are an important source of job growth in the United States and crucial to the country's economy. Historically, however, small businesses have faced multiple barriers to offering affordable health insurance coverage to their employees. High administrative costs and a limited ability to spread risk have contributed to high premiums for small employers.

The Obama administration believes that The Patient Protection and Affordable Care Act (ACA), known by many as "Obamacare," will alleviate this problem by lowering administrative costs and expanding options for coverage through the use of state-based health insurance exchanges. On the other hand, critics have raised concerns about the effect of the ACA on small businesses. Public opinion is sharply divided with respect to the ACA, often along political party lines.



Regardless of politics, however, small employers (defined as those with fewer than 50 full-time equivalent employees for purposes of this article) should understand the impact the ACA will have on their businesses and their ability to offer health insurance coverage to employees.

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Startlingly, more than three years after passage of the ACA, 42 percent of Americans, more than two in five, are unaware that the ACA is the law of the land, according to an April survey by the Kaiser Family Foundation. Another survey shows that 56 percent of small businesses do not understand health care reform, and 32 percent of small businesses surveyed mistakenly believe they are required to offer health insurance to their employees in 2014.<sup>1</sup> The ACA's employer mandate provision<sup>2</sup> and health insurance exchanges in general have small businesses flummoxed. The confusion may result from the ACA's requirement that everyone purchase some sort of health insurance by 2014. For those businesses with fewer than 50 full-time equivalent employees, however, that responsibility falls on the employees themselves, not on the employer. In fact, small employers have no obligation whatsoever to contribute toward the cost of health care coverage for their workers under the ACA.<sup>3</sup>



The determination of whether an employer employs 50 or more full-time equivalent employees is based on the prior 12 months which, for purposes of 2014, will be the 2013 calendar year, so employers should now be in the process of making this analysis. Unfortunately, this is not an easy task. The new federal definition sets the standard for a full-time equivalent at 30 or more hours of actual time worked during a typical week, averaged over the month. Seasonal employees working less than 120 days during the prior year are excluded. Additionally, the law requires the hours worked by part-time employees to be included in the calculation of full-time equivalents.

Although small businesses will not be required by the ACA to provide health insurance coverage to employees, beginning in 2014, they can shop for health insurance coverage through exchanges in each state. Small businesses may turn to Small Business Health Options Program (SHOP) exchanges for employee health insurance. The SHOP exchanges are intended to bring down the cost of health insurance coverage by allowing different businesses to pool together, thus increasing the size of the insured pool and spreading out the risk. As a consequence, small businesses should be able to get competitive insurance plans and better pricing than they are able to

get currently as an individual group. Employers can choose the level of coverage they will offer, and define how much they will contribute toward the cost of employees' coverage. The health insurance plans available in the SHOP exchanges will be run by private health insurance companies, the same way small group plans are run now.

West Virginia will be partaking in a State Partnership Marketplace, a collaborative effort between West Virginia and the federal government. The exchange will open October 1, 2013, for coverage starting January 1, 2014. Open enrollment will run through February 28, 2014, with shorter enrollment periods expected in subsequent years. Plans will present their cost and coverage information in a standard format, using plain language that is clear and easy to understand. Employers will be able to compare plans based on price, coverage, quality and other features. Employers may use a broker or shop on their own.

The time has come for all employers to get out of "wait-and-see" mode and prepare for the impact of the ACA on their businesses. Small businesses, in particular, should take stock of the number of full-time equivalent employees and determine whether they will be required to offer health insurance coverage to their employees in 2014 to avoid paying a penalty. If not required to

provide coverage, they should determine whether now is the time to enter the health insurance market via the state-federal partnership exchange in West Virginia or another state exchange, and they should prepare for the other provisions of the ACA that do apply to them. ▽

*Footnotes:*

- <sup>1</sup> See e-Health's "Small Employer Health Insurance Survey" (March 2013).
- <sup>2</sup> This provision requires employers with 50 or more full-time equivalent employees to provide health insurance coverage that is adequate and affordable to employees working 30 or more hours per week or else pay a penalty. Failure to provide adequate and affordable coverage will result in a penalty if any employee receives a tax credit to purchase coverage through a state-based exchange.
- <sup>3</sup> There are, however, many other provisions of the ACA that do apply to small businesses.