

## Facts about the ACA on its First Anniversary

It's been a year since President Obama signed the Patient Protection and Affordable Care Act (ACA) into law. Many provisions of the law address small businesses No. 1 concern—rising healthcare costs. Here are some of those provisions and how they are offering small business financial relief now.

### Tax Credits

Beginning in 2010, small businesses with fewer than 25 full-time employees and with annual wages not exceeding \$50,000 are eligible for a federal tax credit for up to 35% of their healthcare premium expenses. This benefit, which can be claimed on tax returns now, gives many small businesses the help they need to offer healthcare coverage for the first time or to maintain the coverage they already offer. In July 2010, Small Business Majority and Families USA released a study that found that more than four million small businesses, 87.3% of all small businesses in the country, are eligible for the credit. *Went into effect immediately after law passed.*

### State Health Insurance Marketplaces

The Affordable Care Act calls for the creation of state health insurance marketplaces, or exchanges, by 2014. The marketplaces will allow small business owners to pool their buying power, thereby driving down insurance costs and giving them the same clout large businesses enjoy when shopping for insurance. The marketplaces also will offer choice, allowing small business owners to shop around for quality, affordable plans that meet their budgets and needs. California has already passed legislation to establish such a marketplace and other states are working on similar proposals.

### Medical Loss Ratio

Small business pay 18% more on average for health insurance than large firms for comparable policies, yet receive fewer benefits. This is mainly due to high administrative costs in the policies, which can add as much as 30% to the cost of premiums. The new healthcare law includes a Medical Loss Ratio (MLR) provision that requires insurance companies to spend at least 80% of small employer premium dollars on medical costs rather than CEO salaries, marketing expenses and other expenditures not directly related to providing insurance. The provision will help keep administrative costs down which, in turn, will help reduce overall premium costs for all consumers, including small businesses. *Went into effect Jan. 1, 2011.*

### Cost Containment

The Congressional Budget Office (CBO) estimates the Affordable Care Act will lower the federal deficit by more than \$143 billion over the next 10 years, and by more than \$1 trillion in the following decade. The law creates substantial reforms to Medicare to reduce waste and abuse, such as requiring that Medicare move away from the costly and inefficient fee-for-service system and adopt value-based purchasing and payment methods. Since Medicare makes up such a large portion of the United States' overall medical spending, the ACA requirements will significantly reduce healthcare costs.

## Preventive Care

The Affordable Care Act encourages preventative care that will reduce the need for costly treatments later in life. For instance, the law includes \$200 million in grants that small businesses can use to develop things like smoking cessation programs for their employees. It also eliminates patient co-pays for preventive services in Medicare, Medicaid and private plans. Preventative care will reduce costs in the healthcare system, which will lead to lower insurance premiums for small employers. *Went into effect Sept. 23, 2011.*

## Preexisting Condition Insurance Plans

Many self-employed individuals often can't get health insurance because of a preexisting condition. To rectify this problem, a temporary national Preexisting Condition Insurance Plan (PCIP) was established in July, 2010 and provides up to \$5 billion in federal funding to cover those who have been denied coverage due to a preexisting conditions. The Affordable Care Act allows the self-employed who have been uninsured for at least six months to get coverage through their state's temporary high-risk pool. It includes limits on premiums, caps on cost-sharing and making premium subsidies available to individuals based on income eligibility. Once a complete ban on the denial of health insurance due to a preexisting condition takes place in 2014, self-employed Americans will have even more options when choosing coverage. *Went into effect July 1, 2010.*

## Greater Accountability for Insurance Companies

Under the Affordable Care Act, insurance companies will no longer be able to raise premium rates without just cause. Insurers are now required to justify "unreasonable" premium increases to the Secretary of Health and Human Services as well as the individual state where the increase occurs, and will have to put the information online for consumers to see.

## Grandfathered Plans

Under the new healthcare law, employers who like their old coverage can keep it as long as their plan existed before the ACA was enacted on March 23, 2010, and as long as no significant changes in coverage are made. If a plan increases medical costs to employees, significantly reduces or cuts benefits or adds an annual limit, all of the new consumer protections of reform will apply to the plan. This is also true if an employer reduces the percent of premiums it pays by more than 5%. Plans that are maintained pursuant to a collective bargaining agreement that was in place before March 23, 2010 are considered grandfathered until the termination of the contract.

## Eliminating Job Lock

A prospective entrepreneur with a preexisting medical condition, or a family member with a preexisting condition, cannot leave their employer to launch a new company because they are "locked" into their old healthcare coverage and therefore their job that provides it. Eliminating this reality by allowing such individuals to enroll in a Preexisting Condition Insurance Plan means healthcare reform is helping give the economy a much-needed entrepreneurial boost.