



Small Businesses and the Final Health Reform Package: 5 Need-to-Know Points

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Now that the health reform package has passed, it's time to evaluate what's in the bill and what it means for small businesses. Here are 5 need-to-know points:

1. SMALL BUSINESS TAX CREDITS:

The bill includes tax credits that take effect immediately to help small businesses afford health coverage. An estimated 3.6 million small businesses will qualify in 2010. The credits (for up to 35 percent of an employer's contribution to health care in 2010-2013 and up to 50 percent in 2014) will provide an estimated \$40 billion in assistance to small businesses over 10 years to make coverage affordable. The credits are offered on a sliding scale: the maximum credit goes to businesses with 10 or fewer employees (measured in FTEs) and average wages under \$25,000; the credit phases down as FTEs and average wages increase, phasing out at 25 FTEs and/or \$50,000 average wages.

2. EMPLOYER CONTRIBUTIONS:

Businesses with fewer than 50 full-time employees (measured in FTEs) will be exempt from any requirements to contribute toward employees' health coverage. An estimated 96 percent of all firms in America have fewer than 50 employees and would be exempt. Of those businesses with more than 50 employees, another 96 percent already offer health coverage. So, provisions to establish a level playing field starting in 2014 by requiring larger employers (50 or more FTEs) who do not offer coverage and whose workers receive tax credits in the exchanges to pay a fee will impact only a small fraction of employers.

3. ENDING INSURANCE DISCRIMINATION:

The final package prohibits insurance companies from denying coverage for pre-existing conditions, ends premium discrimination based on gender and health status, and eliminates lifetime and annual limits on coverage that threaten to bankrupt small business owners and employees. It also strengthens oversight of insurance premium increases, protecting small businesses from arbitrary and unreasonable rate hikes.

4. HEALTH INSURANCE EXCHANGES:

The bill will give small businesses better choices by setting up new, simplified marketplaces called insurance exchanges. Small businesses with up to 100 employees will be able to participate in the exchanges and pool together for coverage. Once operational in 2014, the exchanges will maximize small business bargaining power to negotiate better coverage, promote transparency and informed choice, and increase competition to lower rates.

5. BENEFITS FOR SELF-EMPLOYED BUSINESS OWNERS:

An estimated 21 million Americans are self-employed. The self-employed will be able to shop for health coverage in the insurance exchanges and benefit from the increased transparency and competition there. Experts have projected a savings of close to 20 percent for self-employed people in the exchange. Sliding scale premium affordability credits and caps on out-of-pocket costs will provide additional assistance and security for self-employed people and their families.
