

Heath Care Reform Proposals

Provisions that Affect Employers

	House Leadership Bill HR 3962	Senate Leadership Bill HR 3590	Senate Leadership Bill, Manager's Amendment, Dec 19
Employer Mandate	<p><u>Yes, for "larger" employers</u></p> <p>Beginning in 2013.</p> <p>Most employers, with the exception of "small" employees (FT and PT), must offer health insurance for each employee and family or pay a payroll tax of 8% of the avg salary to the Health Insurance Exchange Fund.</p> <p>Exempts the vast majority of "small" business: 87%</p> <p><u>"Small" Employers:</u> annual payroll does not exceed \$500,000. These "small" businesses are exempt from mandate.</p> <p><u>"Larger" Employers:</u> annual payroll exceeds \$500,000</p> <p>If the annual payroll:</p> <p>\$0 - \$499,999 penalty = 0%; \$500,000 - \$584,999 , = 2% \$585,001 - \$669,999 , = 4% \$670,001 - \$749,000, = 6% Over \$750,000, = 8%</p> <p>If an employer decides to offer coverage for their FTEs, then the employer must make a contribution of 72.5% of the</p>	<p><u>No Mandate, but penalty.</u> Effective January 1, 2014</p> <p><u>Definition of "Large" Employers:</u> Employers with more than 50 employees:</p> <p>Those who do NOT offer coverage but FTEs received a premium tax credit – pay a fee of \$750 per FTE</p> <p>Those who offer coverage and have FTEs who get subsidy – pay lesser of \$3,000 for each employee receiving a premium credit or \$750 for each full-time employee.</p>	<p><i>Changes to HR3590 noted below:</i></p> <p><u>Definition of "Large" Employers:</u> employers with at least 5 FTE and with an annual payroll in excess of \$250,000. All others are exempt.</p> <p>***</p> <p><u>Free choice vouchers:</u> (sec 10180, Senator Wyden Amendment) Effective Dec 31, 2013. Mandatory.</p> <p>The idea behind this is to allow low income individuals to have more options in purchasing insurance.</p> <p>Workers who qualify for an affordability exemption to the individual responsibility policy but do not qualify for tax credits can take their employer contribution and join an exchange plan. Employers would give these contributions in the form of vouchers to workers, and workers would use them to buy health insurance on the Exchanges.</p> <p>Vouchers \$ = monthly portion of the amount the employer would have contributed to the employer-sponsored plan were the employee covered (for either self or family coverage).</p>

	<p>premium for individual coverage and 65% of the premium for family coverage.</p> <p>Contributions for part-time employees will be pro-rated based on the proportion of average weekly hours of employment and the minimum weekly hours for an employee (30 hours/week).</p> <p>If an employer has part time employees, the employer has an option of providing part-time employees with health coverage by contributing a share of the expense (an amount proportional to hours the employee worked) or contributing to the Exchange in order for PT employees to get coverage there.</p> <p>If an employer decides not to offer coverage, then the employer would have to pay a penalty of 8% of the employer's total payroll.</p> <p>Require employers that offer coverage to automatically enroll into the employer's lowest cost premium plan</p> <p>If an employer (unknowingly) offers coverage other than the "qualified" plan, they can be assessed a penalty of up to \$500,000 a year (\$100 per day). This tax would not apply for failures corrected within 30 days, in cases where the employer could not have reasonably been aware of the failure, and other exceptions. For failures due to a reasonable cause and</p>	<p><u>Waiting Period:</u> If the employer imposes a waiting period to enroll in coverage, the law would require a payment from the employers of \$400 for any full-time employee in a 30-60 day waiting period and \$600 for any employee in a 60-90 day waiting period. (Effective January 1, 2014)</p> <p>Employers with more than 200 employees must automatically enroll their employees</p>	<p>If amount of voucher is greater than amount of premium of the plan in Exchange, employees get to keep it (employers pay employees the excess). If more, employees have to pay the difference out of pocket.</p> <p>The voucher amount would be tax deductible to employees.</p> <p>"Offering employer": defined as one who offers minimum coverage through an eligible employer-sponsored plan AND pays any portion of the costs of the plan.</p> <p>"Qualifying employee": whose required contribution for employer coverage is greater than 8% and less than 9.8% of household income; AND whose household income is less than 400% of the poverty line for a family; AND who does not participate in a health plan offered by the offering employer.</p> <p>****</p> <p><u>Waiting Period:</u> Extended the waiting period to 60 days instead of starting with 30 days. A large employer requiring a waiting period before an employee may enroll in coverage of longer than 60 days will pay a fine of \$600 per FTE.</p>
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	<p>not willful neglect, the tax would be limited to the lesser of 10% of the amount paid or incurred for the employment-based health plan for the prior year or \$500,000.</p> <p>Employers must automatically enroll their employees into the individual health plan offered with the lowest applicable employee premium. Employees can opt-out of employer provided individual coverage (or choose another plan offered) if they make an affirmative election to do so. Employers shall provide employees a 30-day period to make such an affirmative election before auto-enrolling the employee in the individual plan with the lowest premium.</p> <p>Employer:</p> <p>If an employer offered coverage, employees could decline or disenroll from this insurance and instead enroll in a plan through the Exchange (although such individual may be responsible for all of the premium). Beginning in 2014, with respect to an employee who declines the employers qualifying coverage, employers with aggregate wages above \$750,000 would be assessed 8% of average wages - this payroll assessment would be limited, so that it could be no more than the contribution that the employer would have been required to make had the employee elected to enroll</p>	<p>into health insurance plans offered by the employer.</p> <p>Employees may opt out of coverage from employers.</p> <p>“Small” employers: 50 or fewer employees are EXEMPT.</p>	
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	<p>in a plan offered by the employer. This 8% payroll assessment would not be required for an employee who was not the primary insured individual but was covered as a spouse or dependent in an Exchange plan. The employer's payroll assessment for this group of individuals would go into the Exchange but would not apply toward the individual's premium. So, employers who do not offer qualified coverage contribute 8% of their payroll to help cover expenses of employees who seek coverage through the Exchange.</p> <p>Employee:</p> <p>Full-time employees who are offered their employer's qualifying coverage would generally not be eligible for any premium or cost-sharing credits (only those whose premium cost is over 12% of their gross income). In general, a fulltime employee who opted for Exchange coverage rather than the employer's qualifying coverage would be responsible for 100% of the premium in the Exchange.</p> <p>Study to examine whether "employer hardship exemption" should be added to the law. Report due Jan 1 2012.</p> <p><i>This provision exempts the vast majority of employers. The advantage of this provision is that payroll, rather than</i></p>		
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	<i>number of employees, is a much better indicator of whether the employer can afford to contribute to its workers' health care insurance.</i>		
Tax Credit	<i>Yes, but non-profits would <u>NOT</u> benefit.</i>	<p><i>Yes, but as tax-exempt entities, non profits <u>WOULD</u> benefit.</i></p> <p><u>Eligibility:</u> effective 2011</p> <p><u>Definition of "Small Employers":</u> with no more than 25 employees and average annual wages of less than \$40,000 that purchase health insurance for employees with a tax credit.</p> <p>Phase I: For tax years 2011 through 2013, provide a tax credit of up to 35% of the employer's contribution toward the employee's health insurance premium if the employer contributes at least 50% of the total premium cost or 50% of a benchmark premium. Full credit available to employers with 10 or fewer employees and average annual wages of less than \$20,000. The credit phases-out as firm size and average wage increases.</p> <p><u>Tax-exempt small businesses meeting these requirements are eligible for tax credits of up to 25% of the employer's contribution toward the employee's health insurance premium.</u></p> <p>Phase II : For tax years 2014 and later, for eligible small businesses that purchase</p>	<p><i>Changes to HR 3590 noted below:</i></p> <p><u>Eligibility:</u> effective 2010 (1 yr earlier)</p> <p><u>Definition of "Small Employers":</u> employers with average wages up to \$25,000 (instead of \$20,000) get full credit. Credit available on a sliding scale to other small firms with average wages up to \$50,000 (instead of \$40,000). More businesses will be able to qualify.</p> <p>Gives eligible small businesses access to up to six years of tax credits to purchase health insurance for their employees.</p> <p>Requires the Government Accountability Office (GAO) to review the impact of Exchanges on access to affordable health care for small businesses to ensure that Exchanges are indeed making a difference for small business owners.</p> <p>Modifies the definition of a full-time employee: 390 hours per calendar quarter (13 weeks) instead of the current definition of 30 hours per week on average. This would take into account fluctuation in employee hours, and reduce the impact of employer responsibility requirements for industries with high turnover and that rely</p>

		<p>coverage through the state Exchange, provide a tax credit of up to 50% of the employer’s contribution toward the employee’s health insurance premium.</p> <p>Employer must contribute at least 50% of the total premium cost.</p> <p>Credit available for two years.</p> <p>Full credit available to “small” employers: 10 or fewer employees; and avg annual wages less than \$20,000.</p> <p>The credit phases-out as firm size and average wage increases.</p> <p><u>Tax-exempt (non-profit) small businesses meeting these requirements are eligible for tax credits of up to 35% of the employer’s contribution toward the employee’s health insurance premium.</u></p>	<p>on part-time employees to sustain their business.</p>
<p>Health Insurance Exchange</p>	<p>Beginning 2013, National Health Insurance Exchange (with State option to create their own) with public plan option.</p> <p>Exchange Eligible Employers:</p> <p>→“Smallest”: 25 or fewer employees will be eligible for coverage in the Exchange on the first year of the program, 2013.</p> <p>→“Smaller”: Employers with more than 10, less than 50 employees eligible for Exchange after the second year of</p>	<p><u>State-based American Health Benefit Exchanges and Small Business Health Options Program (SHOP) Exchanges,</u> administered by a governmental agency or non-profit organization (starting 2017).</p> <p>Eligibility: small businesses with up to 100 employees can purchase qualified coverage.</p> <p>Permit states to allow businesses with more than 100 employees to purchase coverage in the SHOP.</p>	

	<p>implementation, in 2014.</p> <p>→“Larger”: Beginning with the third year of implementation, 2015, larger employers, (100 or fewer) that are not “smallest” or “smaller” are permitted to be Exchange-eligible employers.</p> <p>From the third yr forward, the Exchange will then be opened to larger employers as another choice for covering their employees.</p> <p>Once an employer is permitted to be an Exchange-eligible employer and enrolls employees through the Exchange, the employer would continue to be treated as an Exchange eligible employer for each subsequent plan year regardless of the number of employees involved unless and until the employer meets the requirement to offer a group health plan (payment of required contributions).</p> <p>Medicaid-eligible individuals will be enrolled in Medicaid, not the Exchange.</p> <p>Requires that employers who offer coverage through the Exchange contribute at least the required contribution toward such coverage and permit their employees the freedom to choose any plan within the Exchange.</p>		
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