

How will reform impact employer-sponsored insurance (ESI) plans?

According to the March 2008 Current Population Survey, about 6.5 million non-elderly Ohioans (66%) received coverage through ESI plans. The federal Affordable Care Act is designed to maintain and strengthen employer-based health insurance as the primary source of coverage for Americans. The law penalizes large firms with 50 or more full-time employee equivalents (FTEs) for not offering coverage and creates new incentives for small firms with fewer than 50 FTEs to begin or continue offering coverage.

Federal reform timeline

2010

- Provide **tax credits** for small employers with fewer than 25 full-time employees with average annual wages less than \$50,000 that offer health insurance to employees
- Establish a temporary **reinsurance** program for employers providing health insurance coverage to retirees 55-64 to lower early retirees' health care costs (through 2013 or until \$5 billion in federal funds are exhausted)

2011

- Provide **grants** up to five years for small employers that establish wellness programs

2013

- Eliminate the tax-deduction for employers who receive **Medicare Part D retiree drug subsidy** payments
- Require employers to **notify** current employees and new hires about the **health insurance exchange** and its services, how to obtain premium assistance through the exchange, and how their employer contribution is impacted

2014

- Establish **American Health Benefit Exchanges** and **Small Business Health Options Program (SHOP) Exchanges** through which small businesses up to 100 employees will be able to purchase qualified health coverage
- Require employers to offer **free choice vouchers** (see box)
- Assess **penalties** on large firms with 50 or more full-time employees that do not provide employees and their dependents with the opportunity to enroll in a qualified health plan (see reverse)
- Employers with 50+ employees are **not required** to meet minimum benefit package standards or make minimum contributions to premiums
- Require employers with 200+ employees to **automatically enroll** employees into health insurance plans (employees may opt out)
- Allow employers to offer employees incentives of up to 30% (eventually increasing to 50%) of the employee's cost-share for coverage for participating in a **wellness program**
- Require employers to **report** health coverage data and practices on their annual tax forms

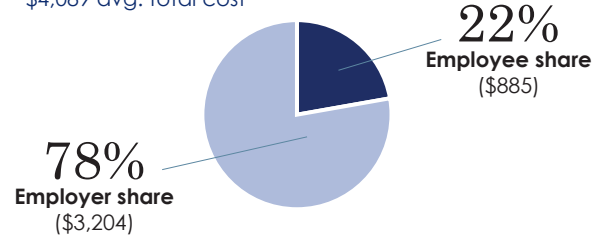
2018

- Hold down employer-sponsored health plan costs by imposing an **excise tax** on insurers for "Cadillac plans" that exceed \$10,200 for individuals and \$27,500 for families

Employer/employee share of ESI plan

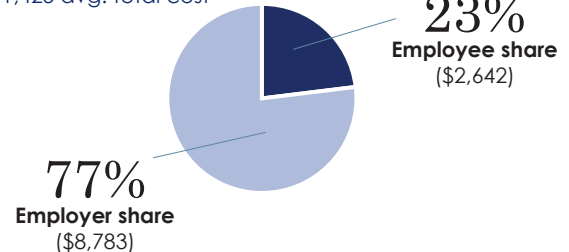
individual plan

\$4,089 avg. total cost



family plan

\$11,425 avg. total cost



Source: AHRQ Access & Cost Trends, MEPS-IC 2008

Free choice vouchers

Enabling employees to use employer contributions to purchase coverage through the health insurance exchange

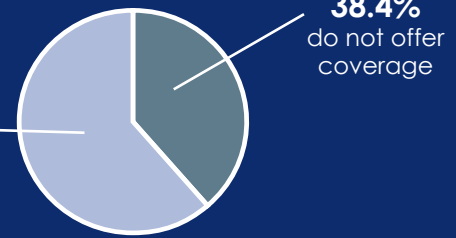
- Effective January 1, 2014
- Applies to employers that offer coverage and pay a share of the cost
- Qualifying employees must: Have a household income at or below 400% FPL, contribute 8% to 9.8% of income to the plan premium, and not participate in an employer plan
- Voucher amount = the cost the employer would have paid if the employee were covered under the ESI plan
- The employer pays the voucher amount to the exchange plan and the employee pays any balance of the exchange plan cost
- Voucher amounts are excluded from income for the employee and are tax-deductible by the employer
- An employee who receives a voucher will not receive a tax credit toward a health insurance exchange plan
- Employers participating in the voucher program will not be subject to penalties

THE IMPACT OF REFORM ON OHIO BUSINESSES

total

61.6% of Ohio establishments offer health coverage to employees

[239,158 establishments in Ohio]

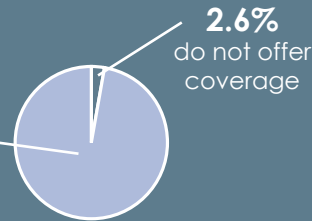


large

97.4% of large Ohio establishments offer coverage to employees

[74,527 establishments in Ohio with 50 or more FTEs]

National reform **REQUIRES** this group to offer health insurance coverage

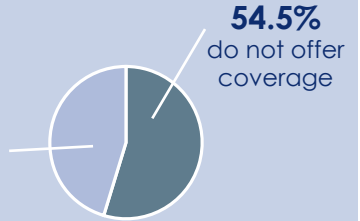


small

45.5% of small Ohio establishments offer coverage to employees

[164,631 establishments in Ohio with fewer than 50 FTEs]

National reform **DOES NOT REQUIRE** these businesses to provide coverage, but provides **incentives** to offer



Source: AHRQ Access & Cost Trends, MEPS-IC 2008

Small business tax credit

85.7% of small businesses with fewer than 25 employees will qualify for some level of **tax credit**

38,900 small businesses will qualify for the **maximum credit** of 35% of premium costs

Source: A Helping Hand for Small Businesses: Health Insurance Tax Credits. Families USA and Small Business Majority, 2010.

Employer penalties [For firms with 50 or more FTEs]

- **IF** the employer does not offer full-time employees the option to enroll in coverage **AND** one or more full-time employees enroll in coverage through an exchange and receive a tax credit **THEN** the employer will face a "no coverage" penalty of \$2,000 per full-time employee
- **IF** the employer offers full-time employees the option to enroll in coverage **AND** the employee share exceeds 9.5% of his/her income or the plan covers less than 60% of allowable costs resulting in the employee enrolling in coverage through the exchange **THEN** the employer will face an "affordability" penalty of \$3,000 per full-time employee who receives a tax credit through the exchange or a "no-coverage" penalty of \$2,000 per full-time employee, whichever is less

Limitations on employer penalties

- No penalties assessed on first 30 full-time employees
- No penalties assessed for part-time employees and some seasonal workers
- No penalties assessed if coverage begins within 90 days

Source: American Benefits Council, Membership Conference Call on Compliance Issues, April 1, 2010. "Health Care Reform: Employer Responsibilities."

Considerations:

Information shared in this fact sheet is based on the most updated version of federal law and analysis of Ohio data. As regulations are written and language clarified, there may be changes in HPIO's interpretation of the impact on Ohio.