

# Health Care Reform Timeline for Small Businesses

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Posted: 2010-03-25 12:37:11

Under the new health care reform law, small businesses will find major changes to how they must provide health coverage and how much they must pay for it. **Small businesses with more than 50 employees who don't offer health insurance may have to pay a tax penalty.** Here's a breakdown of when and how the new health care law will affect you as a small business owner:

## TIMELINE OF HEALTH CARE REFORM

Health care reform starting immediately:

-- A tax of 10% is imposed on the amount paid for indoor tanning services.

-- **For tax years 2010 through 2013, small businesses with 25 or fewer employees that pay average annual wages of less than \$50,000 and purchase health insurance for their employees will be eligible for a tax credit of up to 35% of the employer's contribution toward the employee's health insurance premium, as long as the employer contributes at least 50% of a benchmark premium.**

**Small businesses with 10 or fewer employees who have annual wages of less than \$25,000 will be eligible for full credit.**

The tax credits phase out as firm size and average wage increases.

Tax-exempt small businesses that meet the above requirements are eligible for up to 25% of the employer's contribution toward the employee's health insurance premium.

Health care reform starting in 2011:

-- States will begin to get funding to establish the state-based health insurance exchanges for small business and individuals one year after the bill is signed into law. This funding will be available through January 1, 2015.

-- **Small business employers will be eligible for grant money if they establish wellness programs. These funds will be available for five years beginning in**

## **fiscal year 2011.**

Health care reform starting in 2013:

The tax deduction for employers who receive Medicare Part D retiree drug subsidy will end effective January 1, 2013.

Health care reform starting in 2014:

--Small businesses with up to 100 employees will be able to buy insurance for their employees using the Small Business Health Options Program (SHOP). These will be exchanges administered by a governmental agency or non-profit organization in their state.

--States do have the option to allow businesses with more than 100 employees to purchase coverage on the SHOP exchanges.

## **FEES OF HEALTH CARE REFORM**

Any employer who does not offer coverage but has more than 50 employees and has at least one full-time employee who receives a premium tax credit will have to pay a fee of \$2,000 per full-time employee. The first 30 employees will be excluded from this assessment.

Any employer with more than 50 employees that offers coverage but has at least one full-time employee receiving a premium tax credit will pay the lesser of \$3,000 for each employee receiving a premium credit or \$750 for each full-time employee.

### **Small businesses with 50 or fewer employees are exempt from any penalties.**

If you do offer coverage to employees paid less than 400% of the Federal Poverty Level (<http://www.census.gov/hhes/www/poverty/threshld/thresh09.html>), you may be required to offer a free choice voucher for them to buy on the state-based individual exchange. This could happen if the share of the premium the worker pays exceeds 8%, but is less than 9.8% of their income. In this scenario, the worker can choose to purchase their insurance through the state-based exchanges.

Employers with more than 200 employees must automatically enroll employees into health insurance plans offered by the employer. Employees can choose to opt out of coverage.

## **HEALTH CARE REFORM TAX CREDITS**

Eligible small businesses that purchase coverage through the SHOP exchanges will be eligible for a tax credit of up to 25% of the employer's contribution toward the employee's health insurance, provided they are paying for at least 50% of the premium. This credit will be available for two years, but Congress can choose to extend it. If they do, it would require new legislation.

Employers with 10 or fewer employees and average annual wages of less than \$25,000 will be eligible for a full tax credit based on the employer's contribution to the health insurance premium.

The tax credits phase out as firm size and average wage increases.

## **TYPES OF PLANS UNDER HEALTH CARE REFORM**

The law provides for four types of health care plans to be offered on the small business and individual exchanges:

- Bronze plan: Covers 60% of the benefit costs of the plan with an out-of-pocket limit equal to the Health Savings Account (HSA) current law limit of \$5,950 for individuals and \$11,900 for families.
- Silver plan: Covers 70% of the benefit costs of the plan with the HSA out-of-pocket limits.
- Gold plan: Covers 80% of the benefit costs of the plan with the HSA out-of-pocket limits.
- Platinum plan: Covers 90% of the benefit costs of the plan with the HSA out-of-pocket limits.