



Welcome to AARP's presentation focusing on the health care law so you'll know where your small business fits in to it all.

Today, we will focus on what employers need to know, what their employees should know and available resources for small businesses.

In addition, we will look at the upcoming Health Insurance Marketplace where individuals and small businesses can shop for comprehensive health insurance.

There's a lot to learn about the Affordable Care Act. It's very comprehensive and touches every aspect of our health system. Small businesses, however, really only need to focus on a few key elements:

**first**, the employer requirements—what you have to do for your employees, which varies by business size;

**second**, the financial help available for employers offering health insurance and employees purchasing insurance;

**third**, the new marketplace for health insurance where you and your employees can shop; and

**fourth**, the resources available if you have questions.

While this may seem like a lot of information, you are going to get all of it—simply and concisely—in this presentation. You can walk away knowing what matters for your business.

# The Two Most Important Pieces

Employer Requirements      Available Tax Credits



A graphic titled "The Two Most Important Pieces" is enclosed in a black border. On the left, a dotted line with an arrow points from a small circle containing the number "2" up to the title. Below the title are two columns. The left column is headed "Employer Requirements" and features a photograph of two hands shaking. The right column is headed "Available Tax Credits" and features a photograph of a green dollar sign with a shadow cast behind it. In the bottom right corner of the graphic is the AARP logo with the tagline "Real Possibilities".

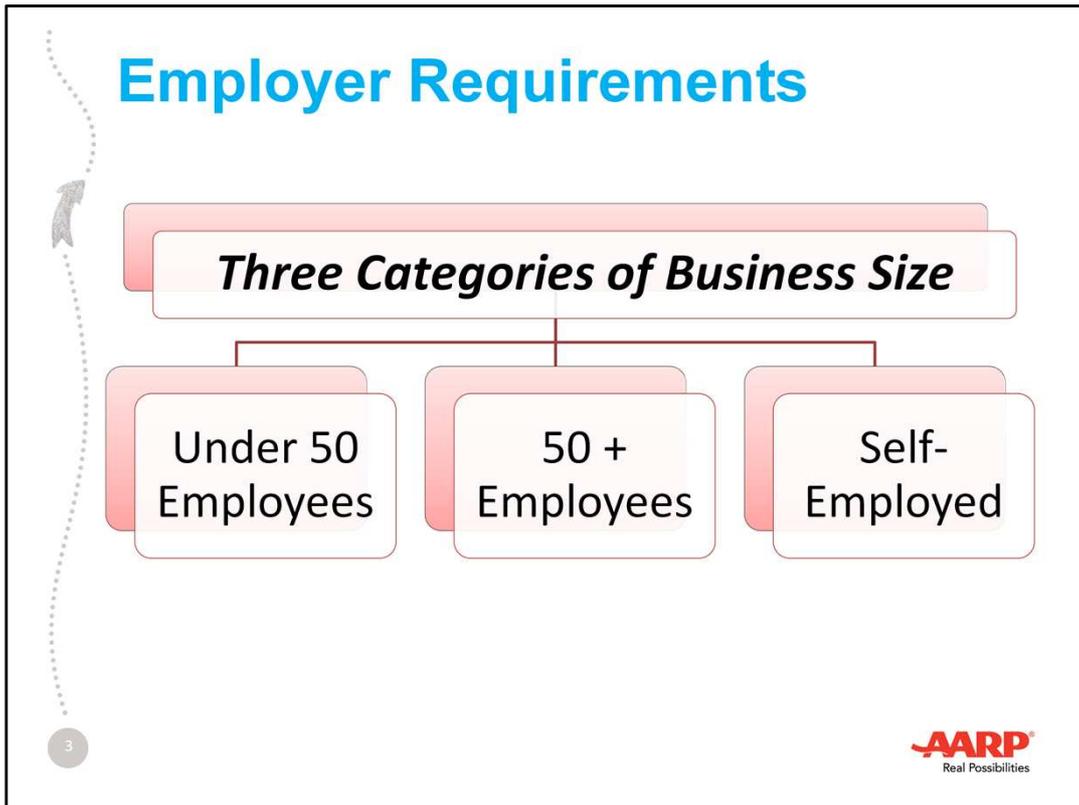
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Let's begin by covering the two most critical pieces for the small business community to understand.

The first is knowing the legal requirements for employers of certain small businesses. These will depend on the size of your company.

The second is knowing if you qualify for the small business tax credit to offset some of the costs of providing insurance to your employees.

In this presentation, we will talk about where your small business fits in – what is required of you and what money might be available to you.



First, let's look at what you may have to do to comply with the law.

Whether anything is required of you really depends on the size of your business. The health care law has categorized small businesses into three groups: businesses with under 50 employees, businesses with 50 or more employees, and the self-employed.

Let's look at differences between each, so you can know where your business fits in.

## Under 50 Employees

- 96% of small businesses
- Not required to offer insurance
- No penalties



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You are not be required to do anything. Why? The great majority of small businesses, 96% in fact, have fewer than 50 employees and are not affected by the healthcare law.

If this is your business size, you are not required to offer health insurance and you face no penalties.

**50 + Employees**

- Not required to offer health insurance
- Possible penalties beginning 2015



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On the other hand, for the roughly 4% of businesses with 50 or more employees, the health care law does have an impact.

There is no federal law requiring any business of any size—large or small-- to offer insurance. That's been the law long before the Affordable Care Act was passed.

However, if you employ more than 50 and do not offer health insurance, you will have to pay a penalty if any employee receives a government subsidy called “premium assistance” when they purchase insurance on their own in the health insurance marketplace. We'll talk more about premium assistance in a moment.

As you have no doubt heard in the news, these penalties do not take effect until 2015.

The penalties are generally a few thousand dollars for each employee who receives premium assistance. You can find out more about what is call the Employer Shared Responsibility payment at the IRS website. Search for “Employer Shared Responsibility”.

Even though no business is required to offer insurance to its employees, all of your employees are still required to have insurance coverage or face their own penalty for being uninsured.

## Premium Assistance

- A tax credit for families with income up to 4 times the federal poverty level
- The less you earn, the larger the tax credit
- Only available to those not eligible for Medicaid, CHIP, etc. and purchase in the individual Marketplace

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So what is this premium assistance I just mentioned?

It is a tax credit available to individuals purchasing insurance in the individual health insurance marketplace for themselves or their families. The credit is available to individuals with incomes up to four times the federal poverty level, or roughly \$48,000 for singles, or \$94,000 for a family of four.

Generally, the less your employee earns, the larger their tax credit. The Health Insurance Marketplace is designed to apply the credit to their premium immediately, saving them out of pocket expenses.

How does this work? Let's say that the premium for the insurance plan Fred has selected is \$500 a month and he earns \$30,000 a year. He would actually pay about \$150 a month. His total premium assistance would be about \$4200. Of course, the exact amounts depend on each person's state, income, and plan. [Note: used Kaiser FF subsidy calculator]

This tax credit is only available to individuals who are not eligible for other health insurance programs like Medicaid or CHIP and who purchase insurance through the individual Health Insurance Marketplace.

If the coverage you offer is "unaffordable" (which is defined as a premium more than 9.5% of the employee's income), your employee may reject your coverage and purchase an individual plan in the individual Marketplace and may then qualify for premium assistance. In other words, if you offer insurance but it's not considered "affordable" and your employee gets premium assistance, you face another type of penalty.

## Self-Employed

- Treated as individuals rather than small businesses
- Shop in the Individual Health Insurance Marketplace
- Could qualify for premium assistance



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The third employer category is those who are self employed, or as the IRS defines it, a firm without employees. Over 70% of all businesses are really just one person doing it all.

For purposes of the healthcare law, those who are self-employed are treated as individuals rather than small businesses. Just like everyone else, they will be required to have health insurance or pay a penalty. To obtain health insurance, they will shop in the individual health insurance marketplace in their state.

If you are self-employed you won't be eligible for the small business tax credit, but you may qualify for the health insurance subsidy called premium assistance.

Let's briefly detail the small business tax credit—which could save many of you money if you provide health insurance for your employees.

## Small Business Tax Credit

### → Are you eligible?

- ▶ Fewer than 25 employees
- ▶ Average wages of less than \$50,000

### → In 2014, the credit can cover up to 50% of employer insurance costs

[www.irs.gov/sbhtc](http://www.irs.gov/sbhtc)

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To encourage small businesses to provide insurance, the healthcare law created a small business tax credit. The credit is generally available to companies with fewer than 25 employees with average wages of less than \$50,000.

This tax credit, that became available in 2010, is going to be increased beginning in 2014 to cover up to 50% of your costs as an employer to provide insurance to your employees. The smaller your business is, the larger the percentage of your costs covered by the credit will be. As I mentioned, this credit is not available for the self-employed.

You'll find more details about this tax credit on the IRS website at [www.irs.gov/sbhtc](http://www.irs.gov/sbhtc)

Let's turn our focus now to what your employees need to know.

## What Employees Need To Know

- Get health insurance or pay a penalty
- Can purchase insurance through the Health Insurance Marketplace
- May qualify for “premium assistance”

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Beginning in January, 2014, everyone will be required to have health insurance. Those who don't have insurance will have to pay a penalty of \$95 or 1% of their income, whichever is higher. The penalty will increase each year, reaching \$695 in 2016.

If you as an employer do not offer health insurance, your employees will need to shop for their own insurance as individuals in the individual Health Insurance Marketplace. Each state will have an online Marketplace where they can buy their insurance. If you decide as a small business employer to offer insurance, your employees will select their plan in the small business Marketplace.

Depending on your employees wages, they may be able to qualify for premium assistance.

## More News for Employees

- Cannot be denied for a pre-existing condition
- Under age 26 can stay on parents' plan



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In addition, the healthcare law makes significant improvements to most all health insurance plans. For example, no one can be denied coverage because of a pre-existing condition no matter how they obtain their insurance.

Another way your younger employees can get insurance coverage is by staying on their parent's family insurance plan. A provision of the health care law allows people under the age of 26 to remain on their parents' insurance. Beginning in 2014, children up to age 26 can stay on their parent's employer plan even if they have another offer of coverage through their own employer.

**Health Insurance Marketplace**

- Website to compare and purchase health insurance plans
- Individuals use the Individual Marketplace in their state
- Small businesses use the Small Business Marketplace in their state (SHOP)

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We have talked a lot about the Health Insurance Marketplace. Let's take a look at what it really is, and how it will shape purchasing insurance.

The marketplace isn't really a place, but a website where people who need insurance can compare and purchase health insurance plans. While some of the websites are still being finalized, they probably will look like online travel websites, where options can be compared side-by-side.

States will have two Marketplaces—one for individuals and the other for small businesses.

Employees who are not offered insurance through their work will shop in the individual Marketplace.

As a small business employer offering insurance, you will first identify what plan you want to offer to your employees through the Small Business Marketplace, frequently called the SHOP marketplace.

The small business marketplace is the first time small businesses will be able to pool their insurance options to access competitively priced healthcare, similar to larger companies. This will hopefully bring down insurance costs.

The SHOP marketplace website will help you determine if you qualify for the small business tax credit and the Individual marketplace will help your employees determine if they are eligible for premium assistance.

I've talked a lot about websites or online Marketplaces, but I want to reassure you that there are options for people who don't feel comfortable with online tools. You can get help in person, on the phone, or through approved insurance brokers.

Let's move now to a timeline of upcoming changes.

## What's Next

→ October 1, 2013

- ▶ Small businesses and individuals shop in the marketplace

→ January 1, 2014

- ▶ Individuals required to have health insurance

→ 2014 Tax Year

- ▶ Small business tax credit increases to 50% of employer healthcare costs
- ▶ Premium assistance available for individuals



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What is the timeline for all this?

The next major milestone is the enrollment period, which begins on October 1, 2013. This is when individuals and small businesses can start to sign up for their choice of health insurance plans. Enrollment closes in the individual marketplace March 31, 2014. As a small business employer, you have an open enrollment period in which to select the plan you will offer to your employees.

January 1 is also when all Americans are required to have some form of health insurance or pay the penalty we discussed earlier.

Also important in the 2014 tax year, the small business tax credit increases to cover up to 50% of employer healthcare costs. For 2013, the maximum was 35%. In addition, 2014 is when premium assistance, that government subsidy for individuals we just discussed, becomes available.

## Resources

- [www.healthcare.gov](http://www.healthcare.gov)
- [www.sba.gov/healthcare](http://www.sba.gov/healthcare)
- [www.irs.gov/sbhtc](http://www.irs.gov/sbhtc)
- [www.healthlawanswers.org](http://www.healthlawanswers.org)



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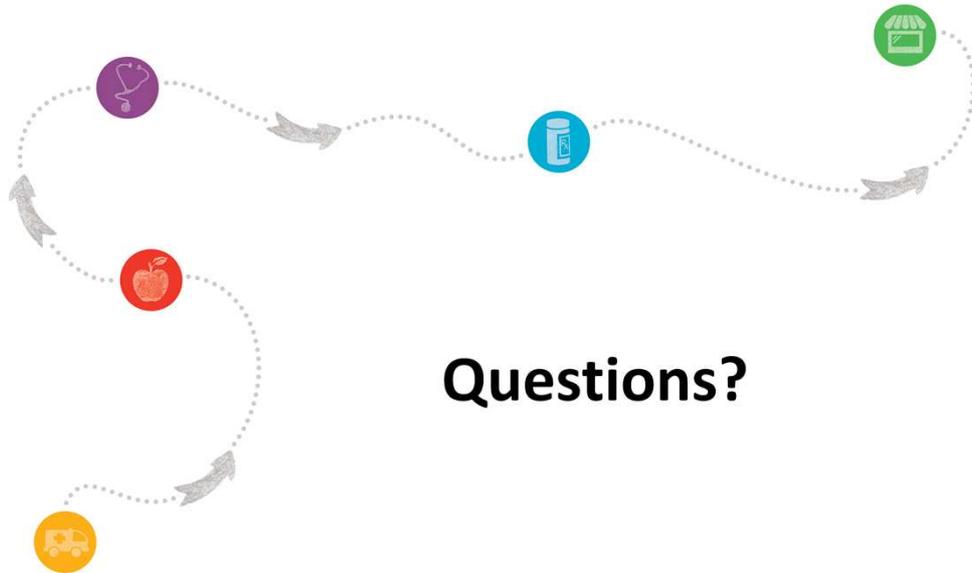
Lastly, here are several resources that can help answer specific questions.

The first, is [healthcare.gov](http://healthcare.gov), the central site for health care information, and the future site for the federal marketplace that will operate in several states.

The second, is a healthcare portal at the Small Business Administration. This site is especially valuable because it focuses on the small business community. It breaks down requirements by business size, and includes regular updates of importance to small businesses.

We have spent a lot of time talking about tax credits, premium assistance and penalties—which of course means the IRS will be a valuable source of information. The site posted here has all the details regarding qualifying for and receiving the small business tax credit.

AARP has developed Health Law Answers—an easy to use online tool to help you understand how the health law works for you and your employees.



I know we covered a lot, but I hope you now know where your small business fits in. I will be happy to take any questions regarding small businesses and the health care law. Thank you for joining us today.