

## THE NEW FEDERAL HEALTH CARE LAW

### *What Businesses Need to Know in 2013-2014*

The most significant impacts of the new federal health care law will hit employers in 2014. Now is the time to ensure you have a full understanding of the law and its requirements so that you can make the best decisions possible for you and your employees.

#### **Employer Mandate**

As of January 1, 2014, most employers with the equivalent of 50 or more full-time employees must provide health insurance or face significant penalties. The insurance offered must meet the federal definition of "affordable coverage." For the purposes of this law, the full-time employee equivalent is based on a minimum of 30 hours per week, as opposed to the traditional 35. Most self-employed persons must also obtain coverage under the law.

#### **Affordable Coverage**

Health care plans offered by most employers with 50 or more full-time employees (or obtained by self-employed persons) must meet the definition of "affordable coverage." This means that an employee's portion of the cost of any health insurance plan cannot exceed 9.5% of their household income. Plans offered must also meet a defined "minimum value," meaning they must cover at least 60% of the cost of health care services provided to an employee. Employers with fewer than 50 employees are not required to offer coverage and are not subject to these requirements, but any plans they choose to offer must include certain "essential health benefits" across 10 categories defined by the federal government.

#### **Potential Penalties**

Employers who are required to provide coverage under the employer mandate but choose not to do so may be assessed with penalties based on the number of employees. Penalties may also be assessed on employers who do provide coverage if the plans offered do not meet the "affordable coverage" or "minimum value" standards as required. Penalties can be up to \$2,000 per employee after the first 30 employees (the penalties for self-employed persons are much less) and are not tax-deductible. The U.S. Chamber of Commerce has developed a calculator to help employers estimate their potential penalties to aid them in their decision-making process. It can be found at [www.uschamber.com/health-reform/calculator](http://www.uschamber.com/health-reform/calculator).

#### **Tax Implications**

In total, there are at least 18 new taxes that have been created to cover the cost of the health care law. The most significant for employers is the health insurance premium tax, which will be assessed on insurance providers at a cost of roughly \$100 billion over the first 10 years. This tax will primarily impact small businesses, including many that are not required to offer coverage under the law. Additional costs employers may be required to pay include a \$63 fee per insured employee and a 0.9% income tax and a 3.8% tax on investment income for small business owners, regardless of whether they offer coverage.

#### **Additional Resources**

For additional information on how the law will affect your business, including summaries of key provisions, calculators, timelines and implications for employees and their families, please visit our website at [center.gachamber.com/federalhealthlaw](http://center.gachamber.com/federalhealthlaw).

## FREQUENTLY ASKED QUESTIONS

### **How do I determine if I am required to offer coverage?**

Most employers with the equivalent of 50 or more full-time employees are required to offer plans that meet "affordable coverage" and "minimum value" standards. Full-time employees are those who work at least 30 hours per week. To determine the FTE for your part-time employees, add the total number of part-time hours worked in one month and divide by 120. The federal government is still determining how employers should account for seasonal workers. Employers with fewer than 50 full-time employees or the equivalent are not required to offer coverage. Most self-employed persons must obtain coverage for themselves, however.

### **Will I be assessed a penalty if I do not offer coverage to my employees?**

Employers with 50 or more employees who do not provide coverage may be hit with penalties if even one employee qualifies for a new federal health insurance subsidy. Employees with household income up to 400% of the federal poverty level (\$94,200 in 2013) may qualify.

### **Could I be assessed a penalty even if I offer coverage to my employees?**

Yes – if the insurance provided does not meet the "affordable coverage" or "minimum value" standards as required for employers with 50 or more employees, you could be assessed a penalty.

- Affordable coverage – employee share is not greater than 9.5% of household income
- Minimum value – insurance pays for at least 60% of the cost of services included in the plan

### **Will what I pay for health care benefits still be tax-deductible?**

Yes, tax deductions will still apply for the portion of benefits paid by employers. Penalties will not be tax-deductible.

### **The state of Georgia has opted not to create a public health insurance exchange. What is a public health insurance exchange, and what does that mean for Georgia?**

Public health insurance exchanges are government-run marketplaces through which individuals and businesses with fewer than 50 employees may purchase health coverage. Because the state will not be creating its own public exchange, Georgians may participate in the federally administered exchange program. It is also possible that privately run exchanges could be created in the state.

### **Should I expect my premiums to rise if I currently offer insurance?**

It is widely expected that premiums will rise across the board. Your insurance broker or provider will be able to provide the most accurate information for your particular situation.

### **What if I self-insure?**

Self-insured plans may be exempt from (or automatically satisfy) some of the above coverage standards, taxes and penalties created under the law. See your broker or provider for details.