Health Care Reform
Provisions Affecting Business

Michigan League for Human Services

Michigan Health Insurance Access Advisory Council

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DetroitRegionalChamber
Powering the economy for Southeast Michigan

Overall Comment

- Access: a very good thing for @32 million uninsured
- Insurance reforms: good thing for the 86% with insurance
- The risks ahead in the waiting period, anywhere from 1 to 8 years
- The Law of Unintended Consequences

For the Self-Employed
(Individuals)

- Until 2014 – a temporary high risk pool
- In 2014 – (almost) all individuals required to have qualifying coverage
  - Penalties for non-compliance
  - Insurance premiums credits
  - Cost sharing subsidies
  - Exchanges and CO-OPs to provide options

For the Self-Employed
(Concerns)

- Will the penalties be stiff enough to induce people to participate?
- Will the “healthy” people respond?
  – Young and invulnerable
  – Those who are relatively well-off
- “And if you don’t, but if you do……”
- Enforceability
- What will they do with their HSAs, FSAs, etc.?

Businesses with 25 or fewer Employees

- Not required to provide insurance
- Incentives to provide insurance
  - Tax years 2010 through 2013 – a ‘scaled’ tax credit for businesses with average annual wages < $50K
  - Full tax credit for businesses with 10 or fewer employees and average annual wages <$25K
  - In 2014 and beyond, in the Exchanges, up to 50% ‘scaled’ tax credits for 2 years, phasing out as size and wages increase
  - Credit is for the employer contribution toward premiums

Businesses with 25 or fewer Employees
(Concerns)

- Will this carrot draw them in?
(at least enough to meet the assumptions)
- What type of plans will they purchase?
- Will they keep insuring their employees?
(no penalty for dumping)
- What about the hole in the doughnut – 26 to 50 employees?

Businesses with More than 50 Employees

- In 2014, if they **do not offer** coverage and have at least one full time employee who receives a premium tax credit, they will pay a fee of $2,000 per employee after the first 30
- If they **do offer** coverage and have at least one full-time employee who receives a premium tax credit, they will pay the lesser of $3,000 for each employee receiving a premium credit, or $2,000 for each full-time employee

Businesses with More than 200 Employees

- Beginning 2014, these employers will be required to automatically enroll employees into health insurance plans offered by the employers
- Employees will be permitted to opt out of coverage

“Larger” Employers – 50+ and 200+ (Concerns)

- What will be the incentives at the margin to add or reduce employment?
- What will be the incentives to add/eliminate insurance?
- Will the penalties be stiff enough to hold and build participation?
  - At least to meet the assumptions
  - Is Massachusetts a reliable barometer?
- Or, will employers simply pay with compensation?
- What happens if employees opt out of an employer plan?

All Businesses

- Through January 1, 2014 - a temporary reinsurance program for employers providing health insurance to retirees not eligible for Medicare
- Late September, 2010 – a requirement to extend dependent coverage for children up to age 26 (individual and group)
- In October, 2010 - support for the development of employers' wellness programs
- In January, 2011 - the CLASS voluntary payroll deduction program for long term care
  - Employers required to offer
  - Employees may opt out

All Businesses

- In 2011 - exclusion of the costs for un-prescribed over-the-counter drugs
- In 2013 - increase in the tax on distributions from Health Savings Accounts or Archer Medical Savings Accounts to 20% of the amount disbursed
- In 2013 - a limit on the amount of contributions to Flexible Spending Accounts for medical - $2,500
- In 2013 - an increase in the itemized deduction for unreimbursed medical expenses to 10% of AGI
- In 2013 - elimination of the tax deduction for employers that receive Medicare Part D retiree drug subsidy payments

All Businesses

- In 2013 - a 3.8% tax rate on unearned income for higher income individuals
- In 2014 - an increase in the Medicare Part A hospital tax rate on earned income for higher income individuals from 1.45% to 2.50%
- In 2014 - a grandfathering provision for existing individual and group policies on the new benefit standards with some constraints and requirements
- In 2014 - a requirement for employers who **do offer** coverage to offer free choice vouchers to employees whose income is less than 400% of federal poverty level who enroll in the Exchanges and their employee share of premium for coverage is more than 8% or less than 9.8% of income

All Businesses

- In 2018 - an excise tax on insurers of employer-sponsored health plans that exceed $10,200 for individual coverage and $27,500 for family coverage, indexed to Consumer Price Index beginning in 2020

All Businesses
(Some Additional Concerns)

- The regulatory law process
- Legislative changes before the effective dates – a 1-year to 7-year window
- The level and complexity of reporting requirements for various classes of employers
- Compliance costs
- Enforceability
- Incorrect assumptions on take-up rates, costs

All Businesses
(Some Additional Concerns)

- The definition of essential benefit or standard benefit by the Secretary HHS: Plan construction becomes very important for:
  - Government spending levels
  - Ability to purchase
- The COST of it all
  - PPACA is heavy on covering people
  - PPACA may be light on cost, quality, value
  - 10 years of revenue against 8 years of program?
  - High earners see their effective tax rates skyrocket
- The taxes on selected sectors