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Affordable Care Act

Simplified for
Small Businesses with 1-49 Employees

Questions? Email intuithealthbenefits@intuit.com

Summary

Starting on January 1, 2014, the Affordable Care Act goes into effect, making health insurance mandatory for most Americans. The goal of this new health law is to provide access to quality, affordable health care coverage.

Your employees will be required to have health coverage or pay a tax penalty. Some employees may qualify for financial assistance from the government to help pay for insurance.

As a small business with less than 50 employees, you are not required to provide insurance to your employees. If you choose to provide insurance, you may be eligible for tax credits to reduce your costs. If you choose to not provide insurance, you can still play a unique role in helping your employees get the coverage they need to comply with the new health law.

What the New Health Law Means For Your Employees

If your employees don't already have insurance (through your business, their spouse or on their own), they will need to have health insurance starting January 1, 2014 or risk paying a tax penalty.

New Health Marketplaces Coming Soon

New health marketplaces are being created to help Americans easily buy health insurance. You and your employees have a choice of public and private marketplace options, where you can shop around to find the best health plan for your needs.

Public health marketplaces (also known as state health exchanges) are now open for enrollment as of October 1, 2013. For more information, visit healthcare.gov.

Financial Assistance Will Be Available

For employees who cannot afford to buy insurance, financial assistance (also known as premium tax credits or subsidies) will be available on a sliding scale based on family income and size.

For example, if your employee is a single mother with a child (family size = 2), and her family income is \$40,000, she would be eligible for financial assistance.

Family Size						Family Income Range to Qualify for Assistance
	\$0	\$25,000	\$50,000	\$75,000	\$100,000	
1						\$15,282-\$45,960
2						\$20,628-\$62,040
3						\$25,975-\$78,120
4						\$31,322-\$94,200

To get approved, she must apply for assistance through the health marketplace in her state. She can elect to get the assistance upfront when purchasing insurance or at the end of the year, when filing her taxes.

In addition, your employee may also qualify to get assistance towards paying for out-of-pocket expenses via cost-sharing subsidies.

Tax Penalties Will Grow Each Year

Employees that don't have health insurance will need to pay a tax penalty when they file their taxes at the end of the year.

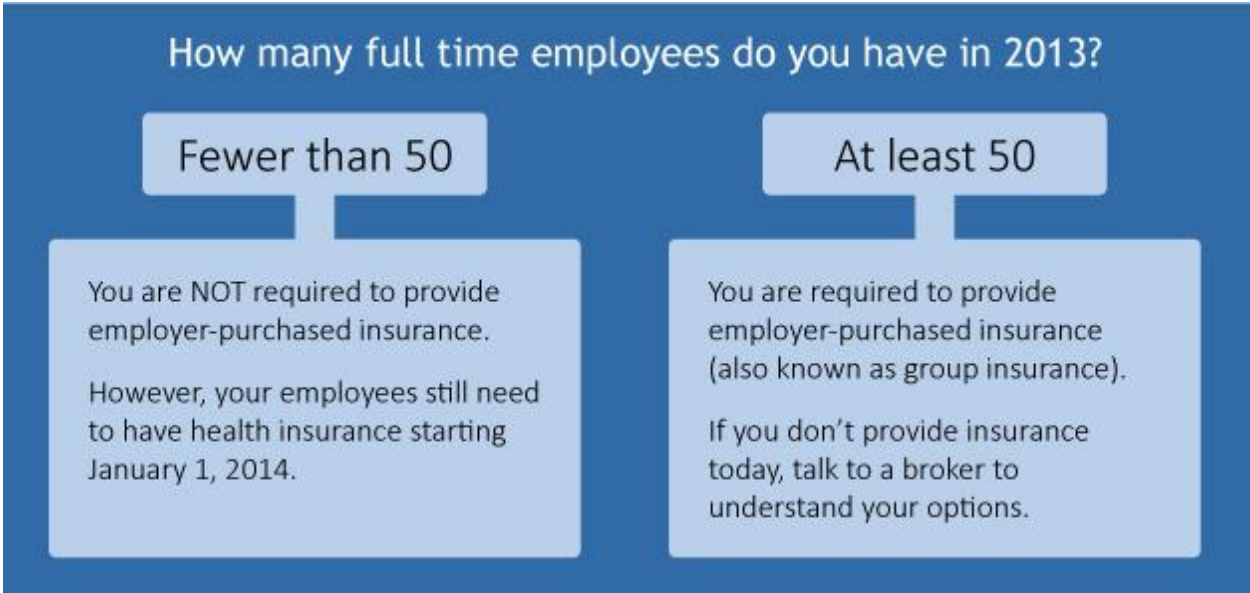
In 2014, the penalty will be \$95 per adult and \$47.50 per child (upto \$285 per family) or 1% of family income, whichever is greater.

In 2016, the penalty will be \$695 per adult and \$347.50 per child (upto \$2,085 per family) or 2.5% of family income, whichever is greater.

After 2016, the penalty will continue to increase annually based on the cost of living.

Your Options As A Small Business Employer

If you employ fewer than 50 full-time employees, you are exempt from the “employer-shared responsibility” to provide mandatory health insurance coverage to your employees.

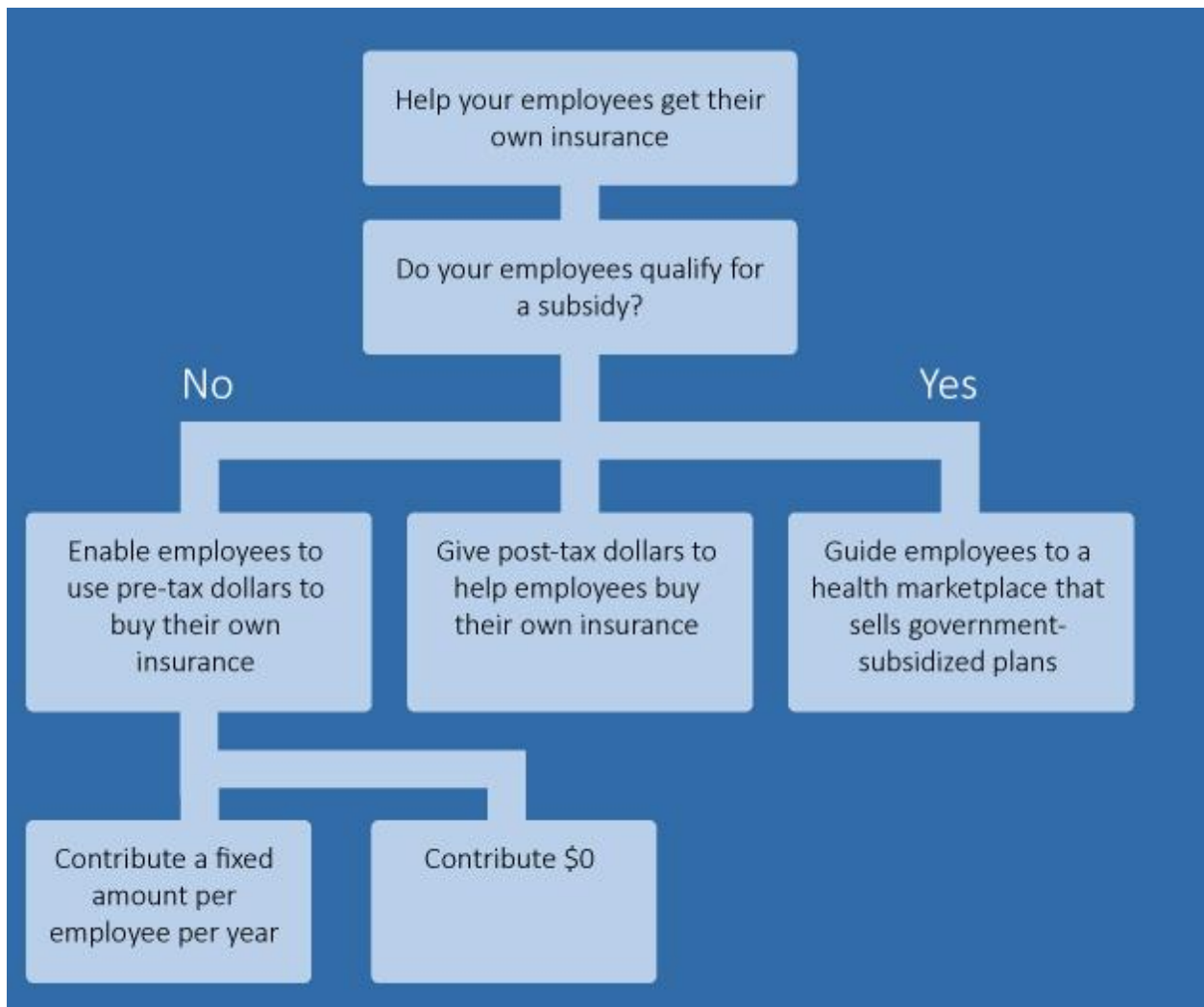


To help you determine the role you want to play in helping your employees’ get health care coverage, here are three options to consider:



Employer-purchased insurance can average \$5,615 per employee per year, or \$15,745 for a family. Talk to an insurance broker or carrier to compare plans and prices. You may also want to explore SHOP (state-run marketplace for employer-purchased insurance) when it opens for enrollment in your state. Initially, many SHOP marketplaces will offer only one health plan to your employees. The ACA requirement that SHOP marketplaces offer employees a “choice of health plans” has been recently delayed until 2015.

If you want to help your employees without purchasing group insurance, here are some options to consider:



Conclusion

The health care industry is going through its biggest overhaul in decades. During this time of change, your employees need you more than ever to help them understand the new health law and what it means for them.

No matter what role you decide to play to help them get coverage, we give you kudos for wanting to do the right thing for your work family.

If you have questions or need more information, we are here for you at intuithealthbenefits@intuit.com

Frequently Asked Questions - Employers

What is the definition of a full-time employee?

A full time employee is someone who works on average 30 hours or more per week. To determine whether you need to provide employer-purchased insurance in 2014, you will need to look at how many full time employees you employed in 2013.

What is SHOP?

SHOP (Small Business Health Options Program) is a small business marketplace set up by your state where employers with 50 or fewer employees can buy health insurance for their employees. For more information, visit your state health website.

Starting Oct 1, 2013, the Small Business Health Marketplace (SHOP) is open and you are able to view plans and complete applications. However, there may be some delays in your ability to pay and complete your enrollment.

Am I eligible for a small business health care tax credit?

Small businesses that provide health care coverage may be eligible for tax credits if they meet the following criteria:

- Have 24 or fewer full-time employees
- Pay an average annual salary of less than \$50,000 to employees
- Contribute at least 50 percent towards employees' premium costs

How much is the small business tax credit?

The tax credit will depend on a number of factors including the number of full-time employees and the amount you spend on insurance premiums.

	Maximum Tax Credit for <u>Businesses</u> as a Percentage of Insurance Premium Expenses	Maximum Tax Credit for <u>Tax-Exempt Organizations</u> as a Percentage of Insurance Premium Expenses
2013	35%	25%
2014	50%	35%

The tax credits are available for a total of two consecutive years, and will be based on a sliding scale. Employers with 10 or fewer full-time employees and paying annual average wages of \$25,000 or less qualify for the maximum credit. For tax-exempt employers, the same employee and wage requirements apply, but the maximum tax credit amounts are different as outlined above.

The amount of the tax credit cannot exceed the total income and Medicare tax the employer is required to withhold from employees' annual wages, plus the employer's share of the Medicare tax.

How much can my employees save by using pre-tax dollars to buy insurance?

Your employees can save \$500 or more in taxes per year by using pre-tax dollars to buy insurance. They save this money by reducing their taxable income.

If you're already giving your employees money to pay for insurance or health care costs, consider switching to using pre-tax dollars to maximize the value of your contribution.

Here's how it works:

Average individual premium for a single person:	\$220/month x 12 months = \$2,640
Federal tax rate:	15%
Social Security and Medicare:	7.65%
Total Tax Rate:	22.65%
Total Tax Savings:	= 2,640 * 22.65% = \$598

To learn more about how your employees can buy health insurance using pre-tax dollars, visit www.payroll.com/affordable-health-benefits

What happens if I have more than 50 employees and don't provide coverage for my employees?

Larger employers (with more than 50 employees) will be required to provide insurance or face a tax penalty of \$2,000 per employee, starting with the 31st

employee. Note: This requirement has been recently delayed by a year and will now go into effect in 2015.

If you do provide insurance, you could face a penalty of \$3,000 per employee if the insurance is deemed “unaffordable” because it costs more than 9.5% of the employee’s income.

Frequently Asked Questions - Employees

Do all my employees need health insurance?

Yes. There will be a few exemptions granted to those who:

- Earn less than the income amount required to file taxes (\$9,350 for an individual)
- Belong to a religious group that opposes acceptance of benefits provided by a health insurance policy
- Belong to a health sharing ministry, or American Indian tribe
- Are undocumented
- Are incarcerated
- Could not find “affordable” coverage that cost less than 9.5% of their income

What types of benefits will be covered in the new health plans?

All health plans that are qualified under the Affordable Care Act will include minimal essential benefits such as:

- Ambulatory patient services, such as doctor's visits and outpatient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services, including behavioral health treatment

- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care

While the Affordable Care Act requires coverage for each of these categories, the law does not define the specific services that must be covered or the amount, duration, or scope of services.

What changes can my employees expect from their insurance company?

The Affordable Care Act spells out a Patient Bill of Rights that gives your employees more control over their health care including:

- Employees can no longer be denied coverage based on a pre-existing condition
- Employees under the age of 26 may be eligible to be covered under their parent's health plan
- Insurance plans can no longer impose lifetime limits on coverage
- Insurance providers must spend eighty cents out of every premium dollar on health care - and not administrative costs
- There can be no annual limits on your employees' health benefits
- Your employees can get emergency care at any hospital, even if it is outside their health plans' network
- Preventive care will be included with health plans and not require additional co-payments
- Your employees have the right to appeal if their plan denies their claim for payment