



SMALL BUSINESSES DRIVING PRACTICAL POLICY



City of Arts & Innovation



CALIFORNIA HISPANIC CHAMBERS OF COMMERCE

# What the Healthcare Law Means for California Small Business

October 22, 2014



**Certified**  
*Educator*

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# About Small Business Majority



- **Small business advocacy organization** – founded and run by small business owners
- **National** – based in CA – 30 team members w/ offices in Washington, DC, OR, OH, NY, MO, WA, VA; 25,000 network members; reach 400,000 small businesses via 105 strategic partners
- **Research and advocacy** on issues of top importance to small businesses (<100 employees) and the self-employed
- Very focused on **outreach to and education** of small business owners across the country

# Topics for discussion



- Affordable Care Act
- Cost containment provisions
- Workplace wellness programs
- Employer and individual responsibilities
- Small business tax credits
- Covered California and SHOP
- Q&A



# Small businesses – struggling with costs



**Our national 2008 study:** Small business **health costs would more than double** by 2018 without any reforms – 5X rate of inflation – \$2.4 trillion nationally (\$243 billion in CA)

- ❗ Small firms pay **18% more** than large businesses
- ❗ 29.5% **self-employed:** uninsured (CA: 826,000)
- ❗ 25% of **small employers:** uninsured (CA:175,000)

**Our opinion survey:** **86%** of CA small businesses don't offer because of **cost**; **70%** of those who do offer say they are struggling to do so

# The Affordable Care Act



- Aims to expand high quality, affordable healthcare coverage and rein in healthcare costs; builds upon **existing healthcare system**
- **Upheld** by **U.S. Supreme Court** as constitutional
- **New consumer protections:** No pre-existing conditions; Dependents on parents plan until 26; No lifetime caps  
No gender based premiums.
- **Ten essential health benefits**



Ambulatory patient services	Prescription drugs
Emergency services	Rehabilitative and habilitative services and devices
Hospitalization	Laboratory services
Maternity and newborn care	Preventive and wellness services and chronic disease management
Mental health and substance abuse disorder services	Pediatric services

# Cost Containment –

Cutting costs saves small businesses money



- **Marketplaces** leverage **pooled purchasing power**
- **80/20 Rule** – ensures more \$\$\$ goes to medical care
- **Premium increases** are now reviewed by state
- **Incentives for prevention and wellness** – Grants for up to 5 years to small firms that wish to establish new **wellness programs**
- Incentives for **administrative efficiency and modernization** (e.g. pay for performance)
- Aim to reduce “**hidden tax**” of **\$1,000** per year



# Small business workplace wellness programs



- Wellness programs are offered through the workplace to offer **health and fitness incentives** and help small business owners promote a **healthier workforce**.
- Two types of wellness programs:

## 1. Participatory wellness programs

Generally available without regard to individuals' health status; Do not provide reward based on individual satisfying a standard related to their health.

I.e. Reimbursement for gym membership or health education workshops

## 2. Health-contingent wellness programs

Require individuals to meet a specific standard related to their health to obtain a reward (namely a specified % of the cost of health coverage)

I.e. Weight loss programs, smoking cessation programs

# SBM Poll: Business reasons for implementing wellness programs



<u>Business Issue*</u>	2-14 Employees	15-99 Employees
Increase Productivity	7.4	7.8
Lower Health Insurance Costs	7.3	8.0
Reduce Absenteeism	6.9	7.5
Reduce # of Workers Comp/Disability claims	6.0	6.6

*\*Based on a mean 1-10 scale; 10 being an excellent reason to implement a wellness program*





# Examples of wellness programs



- **Self-care educational program:** employees are educated about making more informed health decisions, appropriate use of medical services with the goal of reducing unnecessary doctor and hospital visits.
- **Health risk assessments,** followed up by counseling from medical professionals or health educators about how to reduce diagnosed risk.
- **Encourage physical activity in the workplace:** implement stretching breaks, walking meetings, encourage stair use, hold pedometer competition or designate area for stretching and exercising.



# Workplace wellness resources



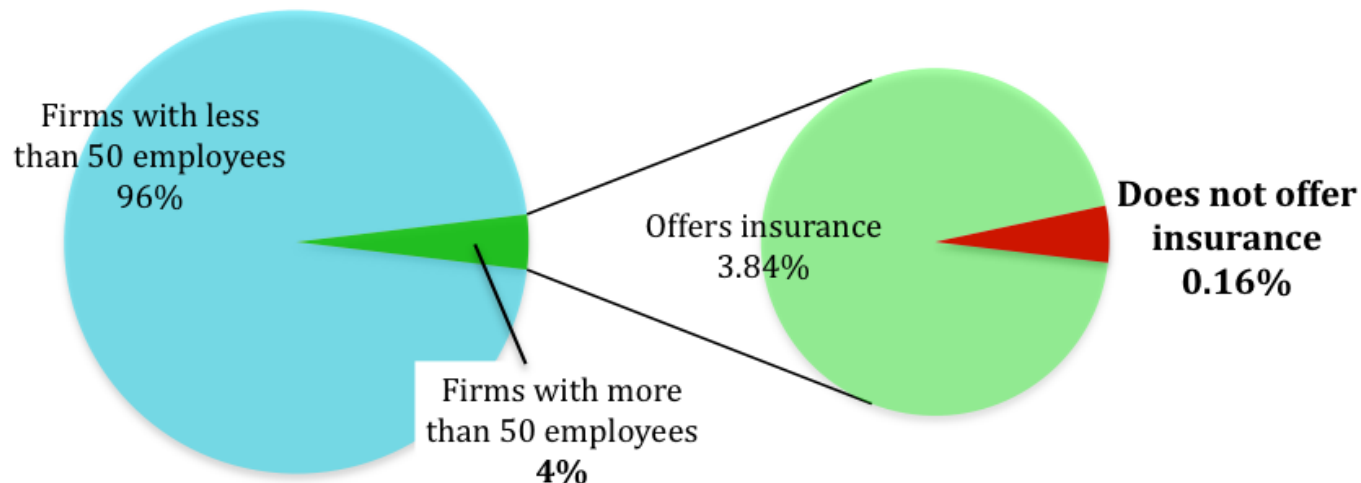
- CDC's National Healthy Worksite Program
  - **Workforce health promotion toolkits:** Toolkits that address program design and planning for workplace health programs (incl. checklists, guides, budgets and other tools)
  - **CDC Worksite Health Scorecard:** An assessment tool for employers to help prevent heart disease, stroke and related health conditions
  - **Walking Campaign Tools:** Provides materials and messages to help employers start a worksite 4-8 week walking campaign
- For more resources, tools and tips visit:  
[www.cdc.gov/nationalhealthysite/join/toolkit.html](http://www.cdc.gov/nationalhealthysite/join/toolkit.html)

# Employer shared responsibility

## For larger employers – January 1, 2015



- Businesses with **fewer than 50 full-time workers** – **96% of all businesses** – are **exempt** from any requirement to offer insurance
- Businesses with 50-99 employees required to offer in **2016**
- Businesses with more than 100 employees required to provide insurance to 70% of employees in 2015, 95% in 2016 and beyond



# Employee notifications



[www.dol.gov/ebsa/healthreform](http://www.dol.gov/ebsa/healthreform)

- Many employers are required by the Fair Labor Standards Act (FLSA) to notify employees of coverage options available through the Insurance Marketplace.
- Notifications to existing employees must be out by Oct 1, 2013 and all new employees beginning Oct 1 should receive this notice.



## New Health Insurance Marketplace Coverage Options and Your Health Coverage

Form Approved  
OMB No. 1210-0149  
(expires 11-30-2013)

### PART A: General Information

When key parts of the health care law take effect in 2014, there will be a new way to buy health insurance: the Health Insurance Marketplace. To assist you as you evaluate options for you and your family, this notice provides some basic information about the new Marketplace and employment-based health coverage offered by your employer.

#### What is the Health Insurance Marketplace?

The Marketplace is designed to help you find health insurance that meets your needs and fits your budget. The Marketplace offers "one-stop shopping" to find and compare private health insurance options. You may also be eligible for a new kind of tax credit that lowers your monthly premium right away. Open enrollment for health insurance coverage through the Marketplace begins in October 2013 for coverage starting as early as January 1, 2014.

#### Can I Save Money on my Health Insurance Premiums in the Marketplace?

You may qualify to save money and lower your monthly premium, but only if your employer does not offer coverage, or offers coverage that doesn't meet certain standards. The savings on your premium that you're eligible for depends on your household income.

#### Does Employer Health Coverage Affect Eligibility for Premium Savings through the Marketplace?

Yes. If you have an offer of health coverage from your employer that meets certain standards, you will not be eligible

- Two notices available: one for employers who do offer coverage, one for employers who do not.

# Employer shared responsibility

## For larger employers – January 1, 2015



- **Am I above or below 50 full-time employee threshold?**
  - At least 50 full-time employees or combination of full-time/part-time employees equivalent to 50 full-time employees; Full-time work week is 30 hours per week.
  - Size of firm determined **annually**; Fee (if any) determined **monthly**

- **Potential Penalty:**

### A. Failure to offer coverage

\$2,000\* per year for each full time employee per year, excluding first 30 full time employees

\* Firm pays penalty if at least one employee qualifies for premium assistance in Marketplace.

### B. Failure to offer “affordable” coverage that provides minimum value\*

\$3,000 per year for each full time employee receiving premium assistance in Marketplace

- \*Affordable – Employee’s share of premium does not exceed 9.5% of employee annual income (not household)
- Minimum value – Plan covers at least 60% (average) of healthcare expenses

# Individual responsibility requirement (incl. Self-Employed)



- Beginning in 2014, **most individuals** will be required to; obtain minimum coverage or pay penalty
  - **Exemptions** for certain religions and very low-income individuals ( $\leq$  \$9,500 per year)
- **Acceptable coverage:** Employer sponsored, Individual, Medicare, Medi-Cal, Covered CA, etc.
- Your employees can **avoid penalties** for not having insurance by enrolling in Covered CA **individual marketplace**

## Potential Penalty (greater of):

<b>2014</b>	\$95 or 1% of annual income (MAGI)
<b>2015</b>	\$325 or 2% of annual income
<b>2016</b>	\$695 or 2.5% of annual income



# Making Coverage Affordable – Individual marketplace



- 1. Premium Assistance/Tax credits** for individuals earning between **138% and 400%** of federal poverty level (FPL) – Family of 4 earning \$23,000 to \$92,000; Individual earning up to \$45,960
  - Not eligible for premium assistance in Covered CA if employer offers **affordable** insurance;
  - available to **US citizens** and **legal** immigrants
- 2. Cost-sharing reductions** on out-of-pocket costs for individuals earning up to **250%** FPL who purchase **bronze/silver** plan; Family of 4 earning up to \$58,875
- 3. Medi-Cal expansion** – Income limit raised to **138%** FPL; Adults without children are now eligible; Individual earning up to \$15,856 (**1.4 million** newly eligible in 2014)



# What is Covered California?

## California's Health Insurance Marketplace

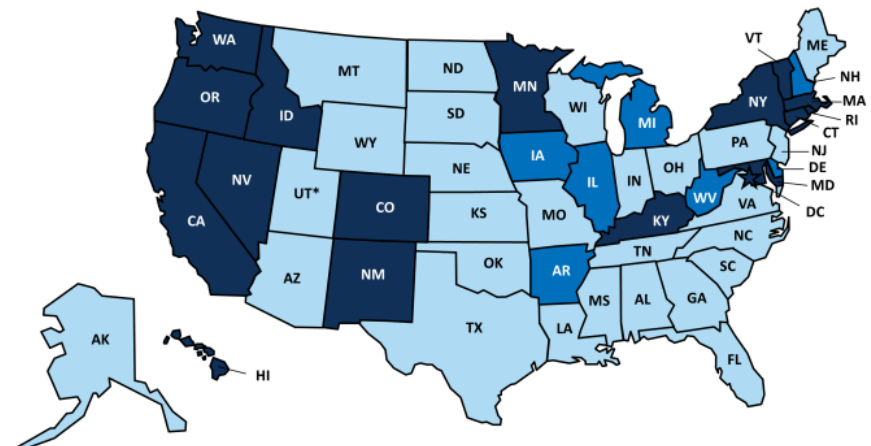


- **First** marketplace in the nation – enacted in 2010 as **bipartisan** effort
- **Stakeholder advisory panels** provide input from small business groups
- Important dates:
  - Next open enrollment (individual) Nov 15, 2014 – Feb 15, 2015
  - Coverage began January 1, 2014
- Over 1.2 million individuals have enrolled as of 3/31/2014

**Vision:** Improve the health of all Californians by assuring their access to affordable, high quality care.

Online health insurance marketplaces provide an easier way to shop for health insurance coverage that fits consumer **needs and budget.**

**Theory** – Pooled purchasing power of individuals and small businesses **increases buying power** and **drives down** coverage cost.





# What is Covered California?

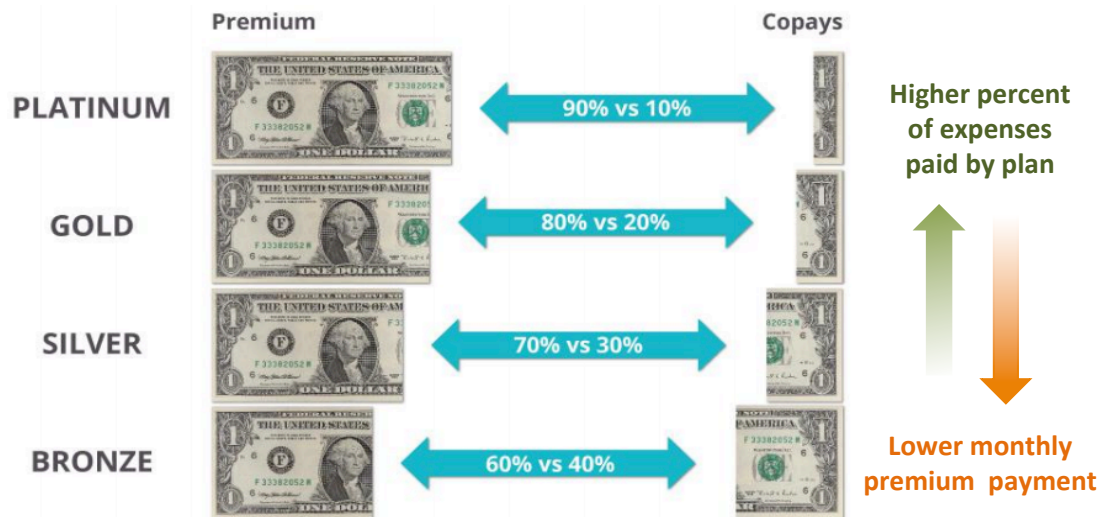


- Two doors:

1. Individuals & Families (incl. self-empl.)
2. Small Business Health Options Program "SHOP" (2-50 employees)

One-stop shop web portal to buy **commercial** insurance

- **Compare** health plans for information about price, quality and service
- Calculator to compare costs across plan options
- Plans categorized by **metal tier**:



# Resource – Shop and Compare Tool



COVEREDCA.COM SHOP AND COMPARE ABOUT GET CONTACTED ESPAÑOL Like Tweet 32

**COVERED CALIFORNIA**

## The Covered California Shop and Compare Tool

**Before you get started:** If you currently receive affordable health insurance through an employer or public program, unfortunately, you can't buy insurance through Covered California. Covered California is primarily designed to help individual Californians get coverage, many of whom will get financial help.

### Household Information

Number of people in the household \*

Household Income \*  Annual

ZIP Code \*

95023: San Benito County (Region 9)

### Enrollee Information

Only enter members of your household who would enroll in Exchange coverage.

Enter the **AGE** of each adult

Adult 1 (over 18)

Adult 2 (over 18)

+ Add adult - Remove adult

Number of dependents age 18 or under

0 1 2 3 or more

Total people covered:

### Breaking Down the Monthly Cost

[See My Options](#)

## Bronze Plan Details

Available Plan Benefits in blue are subject to medical deductible.

Copays in Black are Not Subject to any Deductible and Count Toward the Annual Out-of-Pocket Maximum

### STANDARD BENEFITS FOR INDIVIDUALS

Key benefits	Bronze 60
Individual Deductible	\$5,000 deductible for medical & drugs
Family Deductible	\$10,000 deductible
Preventative Care Copay <sup>1</sup>	NO COST at least 1 yearly visit
Primary Care Visit Copay	\$60 2
Specialty Care Visit Copay	\$70
Urgent Care Visit Copay	\$120 2
Generic Medication Copay	\$19
Lab Testing Copay	30%
X-Ray Copay	30%
Emergency Room Copay	\$300
High cost and infrequent services (e.g. Hospital Stay)	30% of your plan's negotiated rate
Preferred brand copay after Drug Deductible (if any)	\$50
Maximum Out-of-Pocket For One	\$6,350
Maximum Out-of-Pocket For Family	\$12,700

<sup>1</sup> in-network only

<sup>2</sup> First 3 visits each year are not subject to the deductible

# Special enrollment periods – Applying after March 31, 2014



- Consumers may be eligible to enroll outside of open enrollment period during special enrollment period if “qualifying life event” occurs.
  - A qualifying life event gives you 60 days from date of event to sign up for health insurance.

## Examples of qualifying life events

You get <b>married</b> or enter into a domestic partnership.	You applied for health coverage before March 31 and <b>got a denial</b> for Medi-Cal after March 31.
You <b>have or adopt a child</b> , or you place a child in adoption or in a foster home.	Your <b>income changes</b> so much that you become newly eligible or ineligible for help paying for your insurance.
You <b>change where you permanently live</b> , and you gain access to new Covered CA health insurance plans.	You become a <b>citizen</b> , national or lawfully present individual.
You <b>lose</b> your health coverage (i.e. no longer eligible for Medi-Cal, lose coverage through your job).	If you are a member of a federally recognized <b>American Indian or Alaska Native</b> tribe, you may enroll or change health insurance plan once a month even outside open enrollment.
Your <b>enrollment was wrong</b> , due to misconduct or misrepresentation of health insurance company, Covered CA or a non-Covered CA entity (such as a Certified Enrollment Counselor).	Covered CA can also determine, on a <b>case-by-case basis</b> , that you experienced an exceptional circumstance, which could allow for a special- enrollment period.

# 2014 Providers



## Individual Marketplace



Health care you can count on.  
Service you can trust.



**L.A. Care**  
HEALTH PLAN®



## SHOP Marketplace



# What is “SHOP”?

## Small Business Health Options Program



The “SHOP” marketplace provides an easier way for small businesses with less than 50 employees to shop for and enroll in health insurance coverage for their employees.



- **Competing health plans** selected using **active purchasing power**
- **Consumer-driven** – easier to navigate than current market
- Easy administration/HR services
- **Online account management**
- Access to small business **tax credits**

# SHOP Marketplace

## Small Business Health Options Program



### More choices — Employer control; Employee choice

- **Employer selects metal tier** or “benchmark” plan and percentage to contribute to employee premium
  - *Benefit to employer: allows for predictable costs and set budget, employer not burdened by selecting plan for employees, employer manages multiple plans on single system and pays one bill.*
- **Employee selects any plan** within employer’s benchmark plan
  - *Benefit to employees: freedom to choose best plan for them based on cost, benefits, provider networks.*



# SHOP Eligibility



## Employer Eligibility

- 2-50 employees (at least one W-2 employee);
- Majority of employees in CA;
- Legitimate employer-employee relationship
- **Small business entities accepted** – Sole Proprietor, Corporations, Partnership, Limited Partnership (LP), Limited Liability Partnership (LLP), Limited Liability Company (LLC)



## Employee Eligibility

- **Eligible** – Full-time permanent employees working 30 hours per week; Part-time employees (at employer's discretion) working 20-29 hours per week
- **Not eligible** – 1099 employees, seasonal and temporary employees



# SHOP Enrollment



- **No specific enrollment period in SHOP** – small business owners can enroll at any time throughout the year
- **Process** – Employer completes SHOP employer application; Employees complete SHOP employee application
  - Applications can be filled out **by phone, fax, or paper**
  - Once enrolled, coverage and premiums are set for 12 months

**Small Business Health Options Program (SHOP)**  
**Application for employers**

Covered California's Small Business Health Options Program offers a new way for small employers to offer health insurance to employees.

<b>Who can use this application?</b>	<b>To apply for SHOP your business must:</b> <ul style="list-style-type: none"><li>• Have a primary business address in California,</li><li>• Have 1 to 50 eligible employees, and</li><li>• Offer coverage through SHOP to all full-time employees, that average 30+ hours per week</li></ul>
<b>What you will need to apply</b>	<ul style="list-style-type: none"><li>• A copy of your Local Business License</li><li>• A copy of your reconciled DE-9C</li><li>• Additional business documentation (see Step 1)</li><li>• (OPTIONAL) Eligible employee information</li><li>• Full name</li><li>• Social Security Number or Tax Identification Number</li><li>• Date of birth</li><li>• Address</li><li>• Phone number</li><li>• COBRA/Cal-COBRA status</li><li>• Dependent information (if offering dependent coverage)</li></ul> <p><i>Employees who decline coverage must complete an employee application and sign the appropriate section of the employee application.</i></p>
<b>Get help</b>	<ul style="list-style-type: none"><li>• <b>Online:</b> <a href="http://www.CoveredCA.com">www.CoveredCA.com</a></li><li>• <b>Phone:</b> Call our Service Center at <b>(877) 453-9198</b></li><li>• <b>En Español:</b> Llame a nuestro centro de ayuda gratis al <b>(877) 453-9198</b></li><li>• Contact your Insurance Agent</li><li>• Contact the SHOP Service Center for information on how to find a Covered California Certified Insurance Agent (877) 453-9198</li></ul>

THINGS TO KNOW

## Enrollment support

- **Certified insurance agents** provide valued service and guidance in determining best plan based on needs/budget; offer solutions in and outside Covered CA.
- **Certified enrollment counselors** provide in-person assistance with enrollment and navigation.



# Making Coverage Affordable – Small business tax credits



**Available now** (took effect tax year 2010)

- \$40 billion in credits by 2019

## Which businesses and nonprofits are eligible?

- ☑ Fewer than **25** full-time employees
- ☑ Average annual wages **<\$50,000**
- ☑ Employer pays at least **50%** of employee premium cost



# Making Coverage Affordable – Small business tax credits



- Tax credits on a **sliding scale**:
  - Up to 35% 2010–13
  - Up to 50% any two consecutive years beginning 2014 (in SHOP marketplace)
- Tax credits do not cover premium expenses of owners or their families
- Can amend taxes for past years
- Tax credit calculator on SBM website



# For more information



Covered California™ | Affordable Health Insurance

https://www.coveredca.com

ABOUT US   COVERAGE   RESOURCES   PROGRAMS & PARTNERS   NEWS CENTER   LANGUAGES: ENGLISH

**Medi-Cal enrollment continues year-round. Covered California open enrollment for 2014 has ended.**

*Open enrollment for the 2015 coverage year will begin this fall*

You may still qualify for Medi-Cal or have a qualifying life event that makes you eligible for coverage through a special-enrollment period. Small businesses can sign up for health insurance plans year-round.

[Apply Now](#)   [Account Login](#)   [How To Pay](#)

**SHOP health insurance plans, rate info, fact sheets, download paper application**

**Find certified agent/enrollment assistor near you**

Shop and Compare Tool

Small Businesses

Frequently Asked Questions (FAQs)

Find Help Near You

## You may be eligible for special enrollment

If you experience a life-changing event, such as the loss of a job, death of a spouse or birth of a child, you may sign up immediately.

## How do I use my coverage?

Congratulations on enrolling for health care coverage through Covered California. Find answers

**SHOP Service Center  
(877) 453-9198**

# Resource – HealthCoverageGuide.org

A screenshot of the HealthCoverageGuide.org website. The page has a dark blue navigation bar with links for Home, Part One: Getting Started, Part Two: Getting Covered, Affordable Care Act, Reference Guide, Helpful Tools, and States. Below the navigation bar is a large image of three business professionals (two men and one woman) looking at a computer monitor. A white text box is overlaid on the image, containing the text: "Everything small business owners and their advisors need to know about offering health insurance. An unbiased resource on cost estimates, tax savings, coverage options, legal rights, and more." Below the image are four white boxes, each representing a section of the website: "Part One: Getting Started", "Part Two: Getting Covered", "The Affordable Care Act", and "Reference Guide & Helpful Tools". Each box contains a brief description and a "Go" button.

HealthCoverageGuide.org  
Objective information for Small Business

Home Part One: Getting Started Part Two: Getting Covered Affordable Care Act Reference Guide Helpful Tools States

About

Everything small business owners and their advisors need to know about offering health insurance. An unbiased resource on cost estimates, tax savings, coverage options, legal rights, and more.

**Part One: Getting Started**  
So you're thinking about buying health coverage for your business, but you're not sure if it's the right decision. Here you can find clear, independent information on whether group coverage is a realistic option.  
Go

**Part Two: Getting Covered**  
If you've decided that insurance is right for you, we help you get the job done here. Step-by-step you'll get organized, find plans that are best for you, read tips on working with a broker, negotiating the deal, and implementing the plan.  
Go

**The Affordable Care Act**  
In March 2010 the Patient Protection and Affordable Care Act was signed into law. The healthcare reform legislation addresses problems small business owners face, including soaring costs and limited choice among health plans.  
Go

**Reference Guide & Helpful Tools**  
Here we provide topic-specific information on a wide variety of insurance-related issues and links to other resources you might need. We also have a handy tax credit calculator and other helpful tools.  
Go

- Objective resource to help small businesses navigate the new healthcare system both in and out of the SHOP marketplace
- Step-by-step guide if employers decide to offer coverage, alternative healthcare options if you don't
- Small Business Tax Credit calculator

Search

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# Resources



- SBM Website:  
[www.SmallBusinessMajority.org](http://www.SmallBusinessMajority.org)
  - Statewide in-person presentations
  - Webinars: bi-weekly in English, monthly in Spanish
- Covered California:  
[www.CoveredCA.com](http://www.CoveredCA.com)
- Healthcare Coverage Guide:  
[www.HealthCoverageGuide.org](http://www.HealthCoverageGuide.org)
- Health Law Guide for Business:  
[www.HealthLawGuideForBusiness.org](http://www.HealthLawGuideForBusiness.org)

## **Small Business Majority**

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## **Ways to get involved with SBM**

- Receive our monthly newsletter
- Share your story with media requests
- Letters to the editors/op-eds;
- State events/roundtables

## **Join our network**

Emma Hollister, Network Manager  
[EHollister@smallbusinessmajority.org](mailto:EHollister@smallbusinessmajority.org)

Direct: (202) 828-8357

## **Connect with us!**



@SmlBizMajority



Small Business Majority

# Last But Not Least – Join Us to Support Our Youth



- **6 million** young Americans are out of school and out of work; meanwhile, small businesses are **struggling to fill job vacancies** with qualified workers.
- We identified some **best practices** to help address this problem while benefitting small employers, including:
  - Create a mentoring program for local youth
  - Increase youth hires
  - Partner with a non-profit to identify youth to fill entry-level jobs

Learn about our Opportunity Youth pledge at [www.smallbiz4youth.com](http://www.smallbiz4youth.com)

