



# What Does the Affordable Care Act Mean for My Small Business?

November 2015

**The Affordable Care Act (ACA)** has affected nearly all Americans, and the millions of small businesses across the country are no exception. The law introduces a number of provisions designed specifically for small businesses, along with new rules, policies and responsibilities that have far-reaching implications for some employers.

The Employer Mandate is one of the most significant ACA rules affecting companies — those with 100 or more employees (full-time, plus full-time equivalent) in 2015 must offer a certain level of health coverage for full-time employees and report that coverage to the IRS, or pay a potentially sizable excise tax. Next year, the scope of the mandate grows larger. Businesses with 50 or more full-time and full-time equivalent employees will need to comply with the mandate. If your business is not affected by the mandate, you may still have new reporting rules or employee plan considerations you want to prepare for now.

The information in this brochure addresses small business concerns ranging from coverage to tax credits. (For purposes of this brochure, a small business has fewer than 100 full-time employees, including full-time equivalents.)

Contact your CPA to learn more about the ACA and the role it plays not only in your health care and tax planning decisions, but also in your hiring and management practices.

## Employer Mandate and Coverage Options

**Q: I heard that some employers are required to offer coverage. Am I one of them?**

**A:** If you have fewer than 100 full-time employees, including full-time equivalent (FTE) employees, the ACA Employer Mandate does not apply unless you are a member of an ownership group (see below). You can decide whether to offer health coverage to your employees and the extent to which coverage is offered.

However, you are required to provide current and recently hired employees with a Notice of Marketplace Coverage Options, which describes Health Insurance Marketplace services and includes contact information.

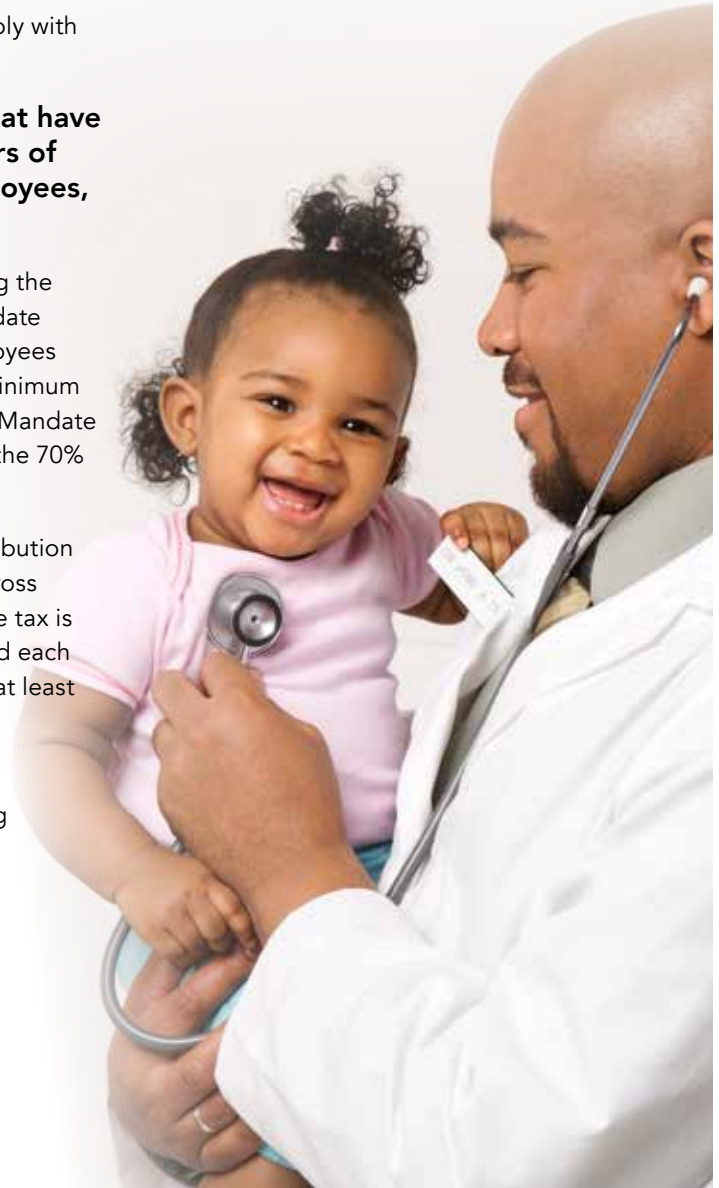
If your workforce is anywhere close to 100, please read the AICPA [Applicable Large Employers under the Affordable Care Act](#) fact sheet for more information and to ensure that you do not need to comply with the mandate.

**Q: How do ACA rules change for small businesses that have fewer than 100 full-time employees, but are members of an ownership group with 100 or more full-time employees, including FTEs?**

**A:** Those small businesses are subject to the same rules, including the Employer Mandate, that apply to the ownership group. The mandate currently requires the employer to offer 70% of its full-time employees and their non-spousal dependents health insurance that offers Minimum Essential Coverage (MEC). As of Jan. 1, 2016, the ACA Employer Mandate applies to organizations with 50 or more full-time and FTEs, and the 70% requirement increases to 95%.

If the employer doesn't offer coverage or if the employees' contribution for self-only coverage exceeds 9.5% of their modified adjusted gross household income, he or she may be subject to an excise tax. The tax is \$2,000 per employee (minus the first 30 employees), and adjusted each year for inflation. Also, the coverage's actuarial value must cover at least 60% of employees' total medical costs.

In addition, if your business employs fewer than 100 full-time and FTEs, but more than 50, you will need to comply with annual filing requirements. Failure to do so may result in significant penalties.



**Q: Can I maintain my current employee health care plan, and if so, under what circumstances?**

**A:** You do not need to change your plan if your coverage is a Qualified Health Plan that meets ACA minimum standards. However, your employees have the option to purchase a private plan and for those who decide to do so, you are not required to contribute to their premiums.

## **Small Business Health Options Program (SHOP)**

**Q: What is SHOP and what does it offer my small business?**

**A:** You can provide health insurance for your employees through the Small Business Health Options Program (SHOP), which is part of each state's Health Insurance Marketplace. You can purchase coverage online, by phone or by completing a hard-copy application, and enroll any time during the year. SHOP is available if you have 100 or fewer full-time employees, including FTEs.

SHOP offers the opportunity to compare plans, costs, benefits and features, resulting in improved purchasing power and coverage choices, and a plan best suited to the business and its employees. Costs and administrative complexities may be reduced through online enrollment, and the opportunity to claim the Small Business Health Care Tax Credit may be offered.

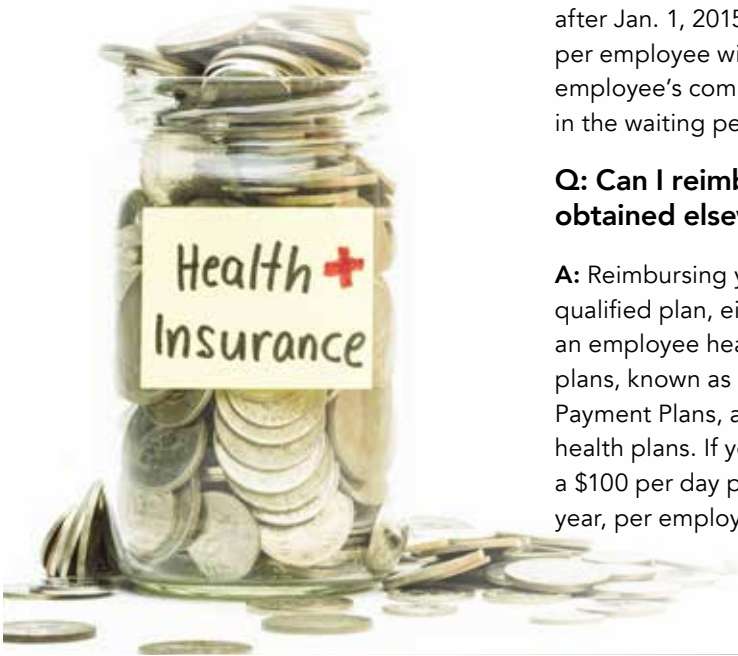
## **Employer Requirements**

**Q: Is there a waiting period after which I must offer health coverage to my eligible employees, and, if so, how long is it?**

**A:** If you choose to offer coverage, you must offer coverage to eligible employees within 90 days of employment for plan years beginning on or after Jan. 1, 2015. Otherwise, a penalty of \$100 per day of noncompliance per employee will be imposed. However, coverage can be conditioned on an employee's completion of an orientation period of up to one month, resulting in the waiting period being extended to 120 days.

**Q: Can I reimburse my employees for their costs for coverage obtained elsewhere rather than establish a health insurance plan?**

**A:** Reimbursing your employees for insurance premiums they pay through a qualified plan, either inside or outside the Marketplace, rather than creating an employee health insurance plan, does not meet ACA requirements. Those plans, known as Health Reimbursement Arrangements (or HRAs) or Employer Payment Plans, are subject to ACA rules because they are considered group health plans. If you choose those arrangements/plans, you may be subject to a \$100 per day penalty per applicable employee, amounting to \$36,500 per year, per employee.





## Tax Credit and FSA Contributions

### **Q: What is the Small Business Health Care Tax Credit and what are the eligibility requirements?**

**A:** The Small Business Health Care Tax Credit, available exclusively to employers purchasing health coverage through SHOP, helps small businesses, particularly those with low- to moderate-income employees, pay their share of employee insurance premiums.

Businesses with fewer than 25 full-time employees, including FTEs, and average annual wages of less than \$50,000 (inflation-adjusted each year) may qualify for the credit. They must also contribute at least 50% toward employee-only health insurance premiums for traditional health insurance, which also includes dental, vision and other limited-scope services.

The maximum credit is 50% of the employer's premium costs (up to 35% for qualifying tax-exempt small businesses). It can be claimed for two consecutive tax years starting with the first year a qualified health plan is offered to employees through a SHOP plan.

### **Q: Does the ACA place any contribution limits on health care Flexible Spending Arrangements (FSAs)?**

**A:** Yes, employees can contribute a maximum of \$2,550 to health care FSAs in 2015. The dollar limit is subject to cost-of-living adjustments and does not apply to employer contributions.

## Disclosure Rules

### **Q: What do I need to do to comply with employee health care disclosure rules, and will I be penalized for failing to comply?**

**A:** You are required to provide employees with a Summary of Benefits and Coverage that explains your plan's coverage and costs, and helps employees fully understand their plan and compare it with available private-market plans. A summary can be provided in either hard-copy or electronic formats, with specific rules applying to electronic formats.

Summary reporting must be consistent with U.S. Department of Labor specifications for content, wording, format and layout. Also, the summary must be provided when the employee enrolls in coverage for the first time, at the beginning of each new plan year and within seven business days after an employee's request. Failing to comply may result in penalties that can reach \$1,000 per enrollee for each failure to comply, as well as other ERISA and tax penalties.





## Administration and Cost Changes

**Q: How will the ACA affect my health insurance plan administration and costs?**

**A:** The ACA's administration simplification programs standardize health insurance plan administration with a single format and codes for eligibility confirmations, claims, authorizations, remittance assistance and claim status questions. The streamlined approach may improve coordination among small businesses, patients and health-care providers. It is also expected to bring greater efficiency and accuracy to the payment process, and lower transaction and premium costs to small businesses, whose comparable health care costs can be nearly 20% greater (on average) than large businesses.

Additionally, the ACA includes a premium rate review process that requires insurance companies to devote a minimum of 80% of premiums to employee medical care, rather than to overhead costs and executive compensation. Insurers not meeting the "medical loss ratio" must provide premium rebates to the small business policy holder.

## Wellness Program Rewards

**Q: Does the ACA include any new incentives that promote workplace wellness programs?**

**A:** If you implement health-contingent wellness programs for your employees, you are eligible to receive a maximum reward of 30% of your health-coverage costs, up from 20%. The reward rises to a maximum of 50% for smoking reduction, cessation and prevention programs. The ACA reward covers a variety of wellness programs, such as those devoted to lowered cholesterol, weight control or regular exercise.



