



HEALTH LAW GUIDE FOR BUSINESS

Just the Facts



The Health Care Law & Your Business



2014, Volume 1
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happens
here 
In The Workplace

Dear Small Business Owner:

Small business is the cornerstone of California's economy, and your success is critical for California to remain strong and prosperous.

As a small business owner, you're faced with daily choices that ultimately impact your bottom line. Running a business isn't easy, especially when the economy presents many challenges.

As president of Small Business California and a small business owner myself, I know that the success of your business depends on a better business environment, policies and actions that harness entrepreneurial spirit and access to facts to make well-informed decisions. Given the lack of information on the health care law and rising health care costs, there is a need and desire among the state's employers for clear and accurate information on how the health care law will impact businesses.

With the help of local businesses and California's leading business groups, we've put together this guide to give you just the facts — what this law means for you as an employer and for your employees and their families.

"Understanding these provisions will inform business decisions that can help manage soaring health care costs."

ON THE COVER: (FROM TOP)

Mike Lee — Five Star Bank
Mina Perez — Mina's Treasures
Todd Maggio — SpeedPro Imaging
Janie Ison — Puddles, A Children's Shoppe
Adrian Perez — POP-9 Communications

This guide will help you understand the business-specific provisions of the law that include:

- » Benefits of cost-containment, healthy employees and available tax credits for small business owners
- » Facts to dispel some of the law's common myths
- » Important dates, deadlines and milestones



The law has specific requirements depending on the characteristics of a business. This guide offers a helpful diagram on page 6 to help you understand the impacts depending on the size of your business and if you currently provide insurance.

Understanding these provisions will inform business decisions that can help manage your soaring health care costs. These costs burden small businesses, weaken our economy, and leave many Californians without the care they need and deserve.

According to the Journal of the American Medical Association, the average American spent \$8,402 on health care in 2010. That's nearly double the amount spent in 2000. The report shows how health care spending per person is continuing to grow faster than the economy.

For employers, high health care costs and insurance rates have meant passing the costs on to employees by increasing co-pays or not providing employees with health insurance benefits. The health care law changed our health system to help manage the growing costs and focus on



"Overall, reduced health care costs and broader health insurance coverage will create a healthier, happier workforce, fostering innovation and growth that so many small businesses are capable of."

keeping people from getting sick through prevention.

Day-to-day demands required to run your business leave very little time to sift through unnecessary content to locate what's most significant. This guide does the work for you. And, when you're finished with this guide, visit Health Law Guide for Business online and learn about the other benefits available to help you run your business. You may just find it will save you some money.

Sincerely,

Scott Hauge
President
Small Business California

For more information, please visit
www.HealthLawGuideForBusiness.org/facts

Controlling Costs



LIZ PARKER
TULSA RIB COMPANY

If there was a way to keep employees longer, would you want to know what it was? Liz Parker of Tulsa Rib Company in Southern California knows one way to do this is by providing employees with health care coverage.

Parker started the Tulsa Rib Company catering business over 36 years ago and has always provided her full-time employees with health care coverage, though her competitors dropped those benefits long ago. Parker employs 32 people, 14 of which are full time.

“Our key employee has been with us for 30 years and it’s because we provide health care benefits,” says Parker.

Providing coverage for her employees has not been easy, especially during the tough economic times of the past several years.

“Starting three or four years ago, we had to start asking whether to keep jobs or reduce health care coverage,” says Parker.

“We are living, breathing proof that the ... [law is] helping. Our employees work really hard.”

LIZ PARKER
TULSA RIB COMPANY OWNER

Parker had been covering her employees and their dependents, but with rising health care costs, Parker had to reduce coverage for her employees’ dependents by 50 percent to save jobs.

Before the passage of the health care law, small businesses were not treated like larger businesses — the exact same coverage could be three to four times higher than for a company with 1,000 employees.

“We were not a large enough player to get a good price. We individually had no buying power,” says Parker.

Parker says she would have considered dropping health coverage for her employees, but provisions included in the law, like rate review and medical loss ratio, have encouraged her to believe the cost of providing coverage will be affordable.

“It is amazing how our premiums increased by only 4 percent last year when they were increasing by 30 percent [in prior years],” says Parker.

She adds, the law will end the current system of employers who provide insurance from having to subsidize the health care costs of people who are uninsured.

Parker is already seeing benefits under the new law. She received a rebate last year for \$300 after she was overcharged for coverage by her insurance company.

“We are living, breathing proof that the ... [law is] helping,” she says. “Our employees work really hard. Covering them is the right thing to do, and if they didn’t get coverage from us, they [could] have to go without it.”

+DID YOU KNOW?

Small businesses pay about 18 percent more than larger employers for the same health insurance.

18%



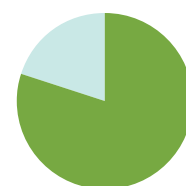
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Employers with fewer than 25 full-time employees that provide health coverage may be eligible for tax credits.

As part of medical loss ratio, insurance companies are now required to spend at least 80 percent of premiums on direct health care expenses and quality improvements — otherwise they must provide a refund for the difference.

80%



Health Insurance Market Reforms



JIM ISON
CAFE VINOTECA

***I**n 2010, the health care law made it illegal for insurance companies to deny coverage to children under the age of 19 because of a pre-existing condition. And as of 2014, insurance companies can no longer refuse to sell coverage or renew policies based on a pre-existing condition.*

But how does that affect small business owners and employees in California? California law already guaranteed insurance could be purchased for people with pre-existing conditions through the small group market (2-50 people). California Outreach Director for Small Business Majority David Chase explains the health care law will change things drastically for the self-employed who are seeking coverage.

“The self-employed did not previously qualify for coverage with a pre-existing condition,” Chase says. “There’s about 22 million self-employed in the country and about a third of them are uninsured today. That’s a pretty significant amount.”

Chase says if you compare the rate of insured, self-employed people to the rate of coverage for the population as a whole, self-employed people are twice as likely to be uninsured today. And insurance companies could deny them coverage on a wide range of pre-existing conditions, including anything from cancer to asthma.

“It was totally up to [insurance companies],” Chase explains. “There was no law that said they had to cover someone with a pre-existing condition and they could make a decision to deny someone or cover them with a high premium.”

Starting in 2014, the law will allow everyone, regardless of whether they have a pre-existing condition, to purchase a private health insurance policy and will keep them from paying more just because they have a pre-existing

condition. In the past, the financial incentive of insurance companies was to avoid selling policies to people who had been or might become sick.

Fundamental changes to basic forms of health care and services are improving health care across the board from access to emergency services to more flexibility in physician choice.

“There’s about 22 million self-employed in the country and about a third of them are uninsured today. That’s a pretty significant amount.”



DAVID CHASE
CALIFORNIA OUTREACH DIRECTOR
SMALL BUSINESS MAJORITY

New provisions in the health care law are also making insurance companies more accountable. Beyond insurance companies being incentivized to keep people healthy, provisions in the law prevent children under 19 from being denied health coverage and extend coverage to dependents up to age 26. As of 2014, the law prohibits rescinding or canceling health coverage, prohibits imposing a lifetime dollar limit on essential health benefits and extends guaranteed issue of health coverage to all individuals.

INSURANCE COMPANY ACCOUNTABILITY

***U**nder the health care law, insurance companies must follow new guidelines that will protect individuals from having their coverage dropped or rescinded. Here are some key features of new protections:*

» **As of 2014, health insurance**

companies must issue a health insurance policy to anyone who applies for it. Individuals or businesses cannot be rejected based on age, sex, occupation or health status.

» **Insurance companies must**

publically disclose and justify large premium increases.

» **Insurance companies can no**

longer rescind your coverage based on a technical error to deny coverage. The health care law makes this practice illegal.

Taking Care Of Business

Small business owner explains how the small business tax credit helps

Virginia Donohue is a co-owner and founder of Pet Camp, an overnight pet care facility for dogs and cats based in San Francisco. Donohue started the business in 1997 with Mark Klaiman after they both decided to quit their 9 to 5 jobs and follow their dream of working with animals. Fifteen years later, the business has grown to include two locations and 15 full-time employees, but Donohue says providing health care for them has been a challenge due to the rising costs.

“When we first started offering health care, our costs were about \$30,000 a year and we paid the full premium for that package,” Donohue says. “Now, that same package costs about \$180,000 a year. We used to offer our employees a bunch of choices and you had options, but now, we only have one plan because last year our premium was going to go up another \$27,000.”

Donohue explains that prior to the health care law, small businesses were paying 18 percent more on average than larger businesses because they did not have the bargaining power. This put her and Klaiman at a severe disadvantage. But even with the skyrocketing costs, Donohue wanted to provide health care to her employees. It was a sacrifice they wanted to make as business owners.

“I know [the health care law has been] controversial, but I don’t think anyone who is buying health care in the

small business market thinks that the system is working well. The system has been broken for a long time.”

With the passage of the health care law, Donohue is beginning to see things change. She received \$7,000 back on her taxes for two years in a row. Donohue first became aware of the credit after using an online tax calculator. After filling it out, she was able to see an estimate of what her credit would be.

Donohue says she is happy to get a little money back for offering her employees health care — something she believes is a basic human right — but also because she’s able to continue to provide quality service.

“Our mission is to provide outstanding pet care and to do that, we have to have exceptional employees. And to have exceptional employees, we have to offer competitive pay and benefits.”



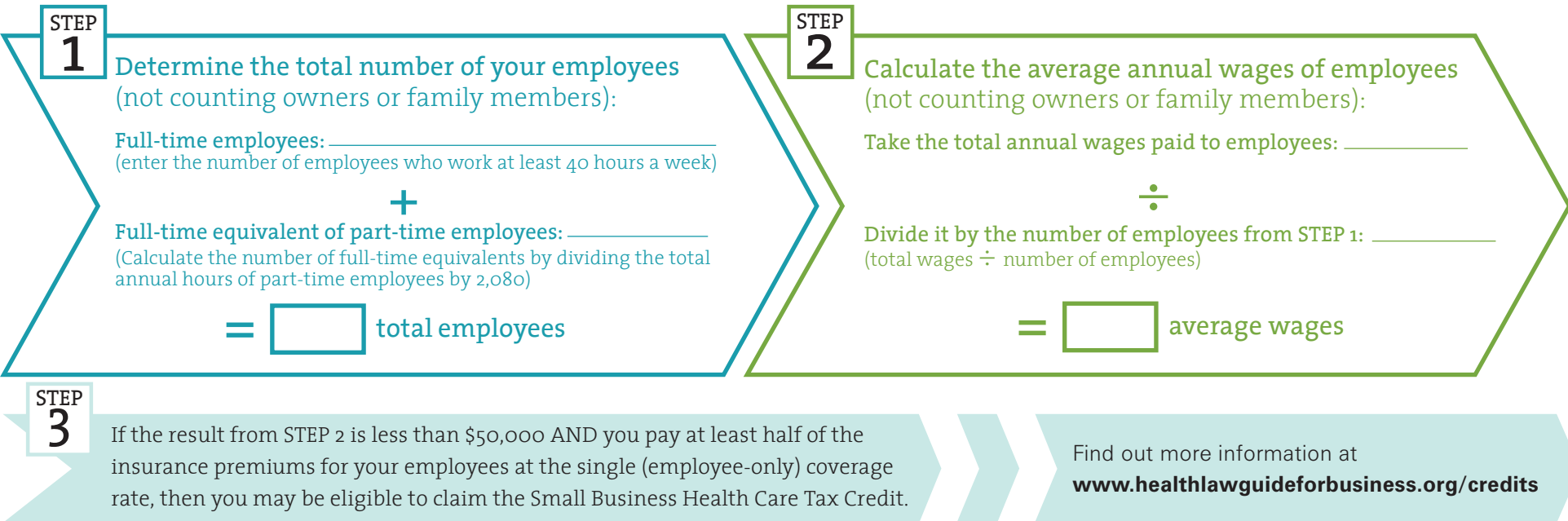
“Our mission is to provide outstanding pet care and to do that, we have to have exceptional employees. And to have exceptional employees, we have to offer competitive pay and benefits.”

VIRGINIA DONOHUE
PET CAMP

Is Your Business Eligible For The Health Care Tax Credit?

Follow these 3 steps!

If you’re a small business that provides health coverage to your employees, you may qualify for the Small Business Health Care Tax Credit. Follow these simple steps to determine if you qualify:

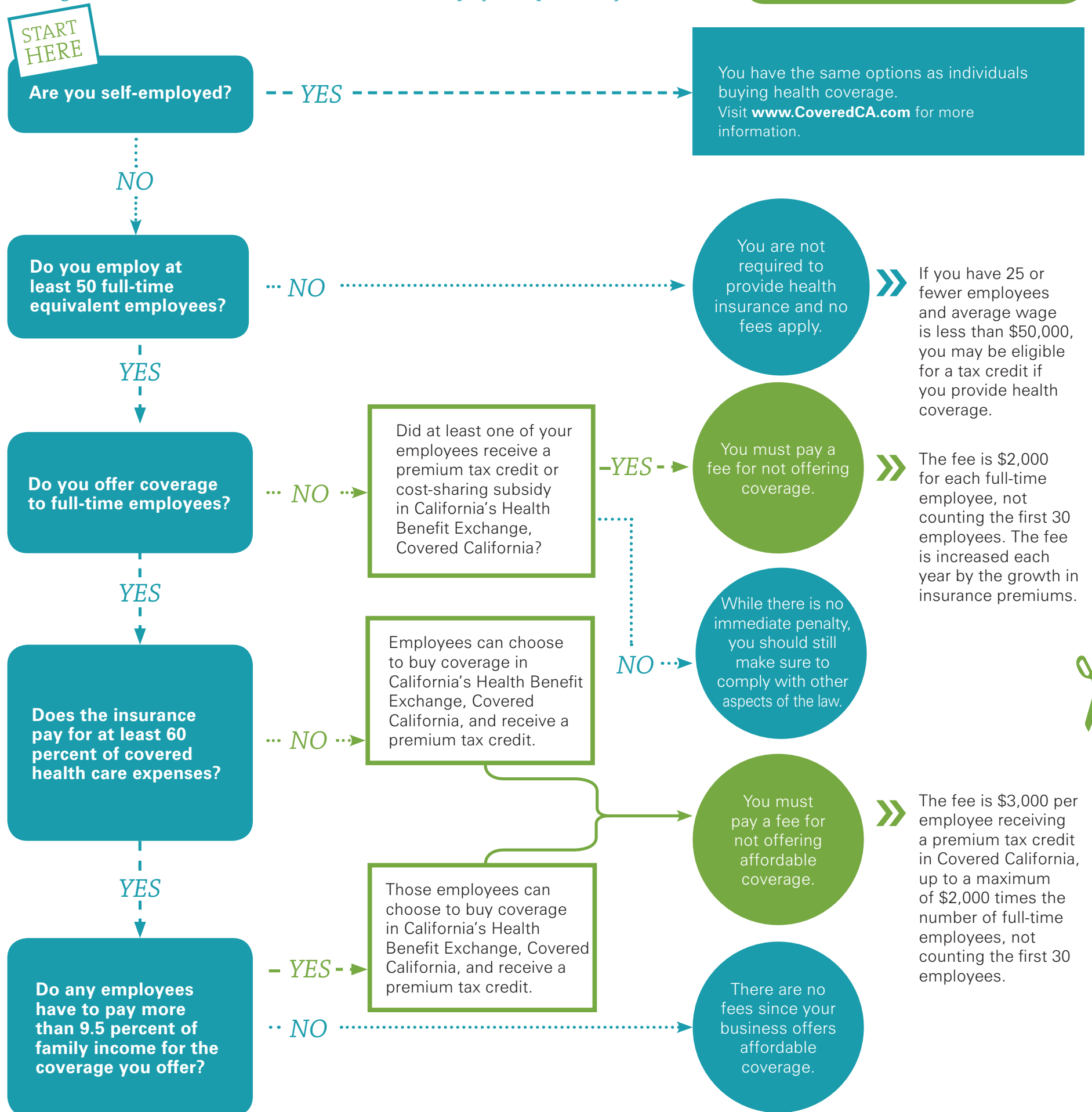


What's Your Responsibility?

The health care law does not require your business to provide health benefits to your workers, but larger businesses could be subject to fees starting in 2015 if affordable coverage is not available. This flowchart shows how employer responsibility will work.

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Myths vs. Facts

MYTH

The health care law will lead to tax increases for small businesses.

FACT

The law includes tax credits to help make health care affordable for small business employers, including the small business health care tax credit.

MYTH

Very few businesses are actually eligible for the tax credit and it won't actually provide relief.

FACT

According to a report issued by Families USA and Small Business Majority, more than 79.9 percent of California small businesses with fewer than 25 employees were eligible for tax credits to help pay the cost of employee health coverage in 2010. In California alone, more than 375,000 small businesses may be eligible for the credit. These tax credits are specifically targeted to the small firms that find it hardest to provide insurance to their workers.

MYTH

My company already offers employee health coverage so the law doesn't affect me.

FACT

Grandfathered health plans — those in existence on the date the law was passed on March 23, 2010 — are exempt from some, but not all, of the new insurance market reform requirements. In order to maintain its grandfathered status, a plan cannot reduce or eliminate certain benefits, increase employee cost sharing, reduce the employer share of the cost or change insurers. Once grandfathered status is lost, a plan must comply with new standards included in the health care law.

MYTH

All employers will be forced to start offering insurance to their employees under the health care law.

FACT

The law does not mandate employers provide employees health care coverage. However, larger employers (more than 50 full-time equivalent workers, which is defined as an average of 30 hours per week or more) may face fees if they do not offer coverage to all their full-time workers or if there is an offer of coverage but the plan does not cover at least 60 percent of the cost of covered services, or if the premium exceeds 9.5 percent of the employee's income. Health insurance plans will provide documents to people they insure that will be used to prove they have the minimum coverage required by law.

MYTH

The health care law will only affect how I buy insurance.

FACT

The health care law has several provisions focused on prevention and wellness in an effort to promote healthy living for your employees. The law requires insurance companies provide important preventative services — which can help to keep your employees healthy and productive — with no cost sharing. For a complete list of all preventative services covered under the health care law, visit www.HealthLawGuideForBusiness.org/facts.



MAX GARCIA
TAXPRO



FELIPE DAVALOS
ARTIST

COVERED CALIFORNIA: CALIFORNIA'S HEALTH BENEFIT EXCHANGE

California was the first state to develop a Health Benefit Exchange following the passage of the health care law. Covered California, as it is now named, has created a new insurance marketplace in which individuals and small businesses are able to purchase competitively priced health plans using federal tax subsidies and credits as of 2014. For small employers, Covered California's Small Business Health Options Program (SHOP) aims to level the playing field and offer better insurance coverage choices at lower costs. The SHOP provides businesses with 2-50 employees with:

- » Purchasing Power
- » Apples To Apples Comparison
- » Administrative Streamlining
- » More Choice & Flexibility



IMPORTANT DATES & DEADLINES

**JAN 01
2014**

- » Health insurance policies acquired in 2013 through California's health insurance exchange, known as Covered California, become active.

**MAR 31
2014**

- » Open enrollment closes. After this date, an individual will not be able to shop for and purchase health insurance through Covered California until the next open enrollment period.

- » Late 2014: Second open enrollment period for individuals who want to purchase health coverage through Covered California.

- » Small employers can purchase insurance through Covered California's SHOP Marketplace at any time during the year.

2015

- » Employer Mandate: Beginning in 2015, employers with 50 or more full-time equivalent employees who do not offer affordable health insurance to their employees may be required to pay an assessment if one of their full-time employees applies for health insurance through Covered California and qualifies for a tax credit.

- » Late 2015: Third open enrollment period for individuals who want to purchase health coverage through Covered California.



COMPLYING WITH THE AFFORDABLE CARE ACT

TO MEET THE REQUIREMENTS OF THE HEALTH CARE LAW, YOU AS A BUSINESS MUST:

- » Notify your employees about their health insurance options with Covered California.
- » Distribute an easy-to-understand Summary of Benefits and Coverage and Uniform Glossary that explains terms commonly used in health coverage.
- » Ensure that the plans you offer meet requirements for an essential benefit package.
- » Ensure that you do not discriminate against any employee based on their health status or their receipt of a federal tax credit or premium subsidy.

YOU SHOULD ALSO:

- » Work with your CPA or broker to determine whether your business could face a penalty in 2015 for not offering affordable coverage to employees.
- » Visit Covered California's Small Business Health Options Program (SHOP) website to see if you can save money on a health plan (www.CoveredCA.com/small-business/).
- » Ask your CPA or broker if you could receive a tax credit to offset some of the costs of providing coverage to employees.
- » Consider implementing or expanding a workplace wellness program to save on health-care costs.

For more information about what health plan or approach may be best for you and your employees, visit www.CoveredCA.com or talk with your CPA or insurance broker.

For more information about the health law and your business, please visit www.HealthLawGuideForBusiness.org/facts or

Health Law Guide for Business En Español at
www.HealthLawGuideForBusiness.org/espanol.

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