



What's in Health Reform for Small Businesses

Small businesses face fewer health insurance choices, higher costs and, as a consequence, less stable coverage for their employees. Health reform will level the playing field and provide them more stability and security.

Health Reform Ensures Small Business is Exempt from Employer Responsibility

- Health care reform exempts employers with 50 or fewer employees — 96% of small businesses — from any employer responsibility provision.
- Additionally, qualifying employers who are subject to the employer responsibility policy can subtract the first 30 full time employees from the payment calculation (e.g., a firm with 51 workers full-time that does not offer coverage will pay an amount equal to 51 minus 30, or 21 times the applicable payment amount per employee).
- A “full-time employee” is defined as an employee who works on average at least 30 hours per week when calculated on a monthly basis, which takes into account fluctuation in employee work hours from week to week in a given month.

Health Reform Increases Quality, Affordable Options for Small Businesses

- Health reform provides small businesses with up to 100 employees access to state-based Small Business Health Options Program (SHOP) Exchanges, which will enable insurers to offer lower premiums as a result of lower administrative costs. The larger pool will also dampen the annual volatility of premiums and create more competition, thereby increasing affordable insurance options.
- These Exchanges will include web portals that provide standardized, easy-to-understand information that make comparing and purchasing health insurance easier for small business employees and reduce the administrative hassle that small businesses currently face in offering plans.
- Small businesses that grow beyond the upper employee limit in the SHOP Exchange will be allowed to continue purchasing health insurance through the Exchange. Beginning in 2017, states could allow businesses with more than 100 employees to purchase coverage in the SHOP Exchange.
- Reform streamlines health plans to keep premiums lower by instituting a premium rate review process and setting standards for how much insurance companies spend on administrative costs.

Health Reform Helps Small Business Obtain More Affordable Health Insurance

- Health reform provides a sliding scale tax credit to employers with fewer than 25 employees and average annual wages of less than \$50,000 if they purchase health insurance for employees. The full credit will be available to employers with 10 or fewer employees and average annual wages of less than \$25,000. To be eligible for a tax credit, the employer must contribute at least 50% of the total premium cost.
- The tax credit is estimated at \$40 billion from 2010 to 2019, an average of \$4 billion per year over

that ten-year time span. Approximately 3.6 million small businesses will qualify in 2010 for the tax credit to offset employer health plan costs.

- For 2010 through 2013, eligible employers will receive a small business credit for up to 35% of their contribution toward the employee’s health insurance premium. Tax-exempt small businesses meeting the above requirements are eligible for tax credits of up to 25% of their contribution.
- In 2014 and later, eligible employers who purchase coverage through the Exchange can receive a tax credit for two years of up to 50% of their contribution. Tax-exempt small businesses meeting these requirements are eligible for tax credits of up to 35% of their contribution.
- To ensure small businesses are aware of their options, Small Business Development Centers and Small Business Administration partners will be eligible for awareness grants, including Women’s Business Centers, SCORE, Minority Business Centers, Veteran Business Centers, among others.
- To check your eligibility, visit: <http://smallbusinessmajority.org/tax-credit-calculator/>

Small Business “Bridge” Tax Credit: Available for 2010, 2011, 2012, 2013		
# of Full-Time Employees	Average Wage of Full-Time Employees	
	\$25K Average Wage	\$50K Average Wage
10	35% of Employer’s Contribution, in addition to partial deduction.	Employer gets 0 credit, but full deduction for costs is still available.
20	14% of Employer’s Contribution, in addition to partial deduction.	Employer gets 0 credit, but full deduction for costs is still available.
25	3.5% of Employer’s Contribution, in addition to partial deduction.	Employer gets 0 credit, but full deduction for costs is still available.
Small Business “Exchange” Tax Credit: 2-Year Tax Credit		
# of Full-Time Employees	Average Wage of Full-Time Employees	
	\$25K Average Wage	\$50K Average Wage
10	50% of Employer’s Contribution, in addition to partial deduction.	Employer gets 0 credit, but full deduction for cost is still available.
20	20% of Employer’s Contribution, in addition to partial deduction.	Employer gets 0 credit, but full deduction for cost is still available.
25	5% of Employer’s Contribution, in addition to partial deduction.	Employer gets 0 credit, but full deduction for cost is still available.

Health Reform Provides Small Business with Insurance Security

- Health reform ends the discriminatory insurance industry practices of increasing premiums by up to 200% because an employee got sick or older or because the business hires female employees.

Health Reform Reviews the Impact of Reform on Small Businesses

- Health reform requires the Government Accountability Office (GAO) to specifically review the impact of Exchanges on access to affordable health care for small businesses to ensure that Exchanges are indeed making a difference for small business owners.

Health Reform Includes Small Business Representation on Workforce Commission

- Health reform establishes a national workforce commission to gather information on the health care workforce and better coordinate and implement workforce planning and analysis, and ensures that small businesses will be represented on the commission.

Health Reform Increases Access to Workplace Wellness Programs

- Health reform authorizes grants to help small business employees access to comprehensive workplace wellness programs.