

## Small Business Reforms from Merged Senate Health Reform Bill

### 2010 Reforms:

**Immediate Access to Insurance for Uninsured Individuals with a Pre-Existing Condition:** Provides eligible individuals access to coverage that does not impose any coverage exclusion

**Prohibition on Rescissions:** Prohibits abusive practices whereby health insurance companies rescind existing health insurance policies when a person gets sick as a way of avoiding covering the costs of enrollees' health care needs.

**No Lifetime or Annual Limits:** Prohibits lifetime limits on benefits in all group health plans and in the individual market and restricts the use of annual limits. This takes effect for plan years beginning on or after the date that is six months after enactment.

**Ensuring Premium Dollars Spent on Benefits:** Specifies that health plans must annually report on the share of premium dollars spent on medical care and provide consumer rebates for excessive medical loss ratios in each year between 2010 and 2013.

### 2011 Reforms

**Small Business Tax Credit:** Initiates the first phase of the small business tax credit for qualified small employers for contributions to purchase health insurance for its employees. The credit is up to 35 percent of the small business employer's contribution to provide health insurance for its employees. There is also up to a 24 percent credit for small nonprofit organizations.

**New Medicaid Flexibility for States:** A new option allows states to cover parents and childless adults up to 133 percent of FPL and receive current law FMAP will take effect.

**Cafeteria Plan Changes:** Creates a Simple Cafeteria Plan to provide a vehicle through which small businesses can provide tax-free benefits to their employees. This would ease the small employer's administrative burden of sponsoring a cafeteria plan. The provision also exempts employers who make contributions for employees under a simple cafeteria plan from pension plan nondiscrimination requirements applicable to highly compensated and key employees.

### 2013 Reforms

**Excise Tax on High Cost Employer-Sponsored Health Coverage:** The Patient Protection and Affordable Care Act levies a new excise tax of 40 percent on insurance companies and plan administrators for any health coverage plan with an annual premium that is above the threshold of \$8,500 for single coverage and \$23,000 for family coverage. The tax applies to self-insured plans and plans sold in the group market, and not to plans sold in the individual market (except for coverage eligible for the deduction for self-employed individuals). The tax applies to the amount of the premium in excess of the threshold. A transition rule increases the threshold for the 17 highest cost states for the first three years. An additional threshold amount of \$1,350 for singles and \$3,000 for families is available for retired individuals age 55 and older and for plans that cover employees engaged in high risk professions.

### **2014 Reforms**

**Employer Responsibility and “Free Rider Penalty”:** Employers with more than 200 employees must automatically enroll new full-time employees in coverage. Any employer with more than 50 full-time employees that does not offer coverage and has at least one full-time employee receiving the premium assistance tax credit will make a payment of \$750 per full-time employee. An employer with more than 50 employees that offers coverage that is deemed unaffordable or does not meet the standard for minimum essential coverage and has at least one full-time employee receiving the premium assistance tax credit, will pay the lesser of \$3,000 for each of those employees receiving a credit or \$750 for each of their full-time employees.

**Health Insurance Reforms:** Implements strong health insurance reforms that prohibit insurance companies from engaging in discriminatory practices that enable them to refuse to sell or renew policies due to an individual’s health status. Insurers can no longer exclude coverage for treatments based on pre-existing health conditions. It also limits the ability of insurance companies to charge higher rates due to health status, gender, or other factors. Premiums can vary only on age (no more than 3:1), geography, and family size.

**Health Insurance Exchange:** Opens health insurance Exchanges in each state to the individual and small group markets. This new venue will enable people to comparison shop for standardized health packages. It facilitates enrollment and administers tax credits so that people of all incomes can obtain affordable coverage.

**Health Care Tax Credits:** Makes premium tax credits available through the Exchange to ensure people can obtain affordable coverage. Credits are available for people with incomes above Medicaid eligibility and below 400 percent of poverty who are not eligible for or offered other acceptable coverage. They apply to both premiums and cost sharing to ensure that no family faces bankruptcy due to medical expenses again.

**Public Health Insurance Option:** Creates a new public health insurance plan that competes on a level playing field against private health plans. It will inject competition into the many parts of our country without a competitive health insurance market. Because it will not operate at the behest of investors, it will offer real competition to private insurers – making them compete on cost and quality. It includes a state opt-out which to allow states to decide whether or not to participate.

**Increased Access to Medicaid:** Medicaid eligibility will increase to 133 percent of poverty for all non-elderly individuals to ensure that people obtain affordable health care in the most efficient and appropriate manner

**Small Business Tax Credit:** Continues the second phase of the small business tax credit for qualified small employers. Small businesses with up to 25 employees are eligible for tax credits of up to 50% of the employer's contribution for two years. Non-profits are eligible for tax credits of up to 35% of the employer contributions.