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BUSINESS ASSOCIATION

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The New Healthcare Law: What Every Small Business Owner Needs to Know

When the president signed the healthcare bill into law, the clock started to tick on a variety of changes. Whether it's the new taxes or the changes to the insurance you buy in the small group and individual insurance markets, the timeline below provides a quick glance at changes you can expect in coming years.

2010

- A temporary small business tax credit is available for six years for some firms that provide qualified health coverage. The rules include:
 1. Only firms with 10 or fewer employees receive the full credit. For firms with 11 to 25 employees, the credit is reduced. Firms with more than 25 employees get no credit.
 2. Only firms that pay their workers an average of \$25,000 or less are eligible for the full credit. The credit is reduced as the wage goes up, phasing out at \$50,000.
 3. Only firms covering 50 percent or more of insurance costs will be eligible. Beginning in 2014, if you qualify for the employer tax credit, you must purchase your plan in the exchange.
- A 10 percent excise tax on indoor tanning services begins July 1.
- Insurance reforms begin. In June, temporary high-risk pools are created for uninsured adults with pre-existing conditions. For plan years beginning in late September, there will be prohibitions on lifetime and annual benefit spending limits, non-group plans will not be allowed to cancel coverage, plans must cover most preventive care and dependents will be allowed to stay on parents' policies until age 26.

2011

- Employers will be required to report employee health benefits on W-2s.
- Manufacturers and importers of brand-name drugs will begin paying a \$2.5 billion tax.
- Consumer-driven account limits begin on over-the-counter medications. The penalty for using HSAs for non-qualified purchases doubles to 20 percent.
- Employers may voluntarily participate in federally subsidized long-term care programs. Participating firms' employees will be automatically enrolled and subject to payroll deductions unless they opt out.

2012

- Businesses will have to send Form 1099s for every business-to-business transaction of \$600 or more.
- Brand-name drug tax is \$3 billion per year through 2016.

2013

- 2.3 percent excise tax on medical devices begins.
- Threshold at which medical expenses as a percentage of income, are deductible, increases to 10 percent, from 7.5 percent.
- Medicare payroll tax on wages and self-employment income in excess of \$200,000 (\$250,000 joint) will increase.
- Medicare investment tax imposes 3.8 percent tax on investment income for higher-income taxpayers.
- Cafeteria plan Flexible Spending Accounts will be limited to a maximum of \$2,500.

2014

- An \$8 billion tax will fall on the majority of plans that small businesses purchase, but not on self-insured

plans.

- Health insurance exchanges open to individuals and small businesses with up to 50 employees.
- Premium credits kick in, and the government begins subsidizing individuals up to 400 percent of the poverty line.
- Federal officials must define an essential benefits package with which all insurance policies must comply.
- Individual mandate begins. Individuals without government-approved coverage are subject to a tax.
- Employer mandate begins, requiring growing firms to provide insurance. The penalties are based on the number of full-time employees, whether the firm offers coverage and whether employees qualify for government subsidies. An employee qualifies for a subsidy if his or her household income is below 400 percent of the federal poverty line. Here are some scenarios:
 1. More than 50 full-time employees and company does not offer insurance, with one or more employees receiving premium subsidies. The penalty is \$2,000 per full-time employee (minus the first 30 employees).
 2. More than 50 full-time employees and offers insurance with one or more employees receiving premium subsidies. Penalty is the lesser of \$3,000 per subsidized employee or \$2,000 per full-time employee (minus the first 30 employees).
 3. More than 50 full-time employees and offers insurance, with no employees receiving premium subsidies. No penalty on employer. All non-grandfathered and Exchange health plans are required to meet federally mandated levels of coverage.
 4. 50 or fewer full-time employees: No penalty or requirement to offer insurance. Those who qualify for the employer tax credit must purchase a plan from the exchange.
 5. New counting requirements for part-time: Part-time employees' hours will be converted into full-time equivalents for calculations of compliance and determination of penalties. For example, if six employees each work five hours per week, they will count as if the firm had one additional full-time employee.
- Insurance reforms take effect, and insurers cannot impose coverage restrictions based on pre-existing conditions. Modified community rating standards go into effect for individual or family coverage based on geography, age and smoking status. Insurers must offer coverage to anyone. The law also limits out-of-pocket cost sharing and insurance plans must include government-defined "essential benefits" and coverage levels.

2015

- Small business health insurance tax is \$11.3 billion.
- Individual mandate penalty increases to \$325 or 2 percent of income, whichever is greater.

2016

- Small business health insurance tax is \$11.3 billion.
- Individual mandate penalty increases again, to \$695 or 2.5 percent of income, whichever is greater.

2017

- Brand-name drug tax increases to \$3.5 billion.
- Small business health insurance tax increases to \$13.9 billion for 2017.
- Individual mandate penalty is based on 2016 levels and will rise according to a cost-of-living adjustment.

2018

- Cadillac tax begins on high-cost plans.
- Brand-name drug tax increases to \$4.2 billion.
- Small business health insurance tax is \$14.3 billion.
- Individual mandate penalty is based on 2016 levels and will rise according to a cost-of-living adjustment.