



SMALL BUSINESSES DRIVING PRACTICAL POLICY

## Healthcare Reform and Small Businesses

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Small Business Majority  
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### About Small Business Majority



- Small Business Majority is a nonprofit, nonpartisan organization founded and run by small business owners and focused on solving the biggest problem facing small businesses today: the skyrocketing cost of health coverage.
- We speak for the nearly 28 million Americans who are self-employed or own businesses of up to 100 employees. Our organization sponsors scientific research that guides us to understand and advocate on behalf of the interests of small businesses across the country.

## What's in the new law for small business?



- Provides immediate **tax credits** for many small businesses, including nonprofits (\$40 billion in credits by 2016)
- Provides immediate access to **high-risk pools** for individuals – incl. self-employed
- Establishes a **competitive marketplace** for small businesses and the self-employed
- Provides **subsidies** for many small business workers and self-employed entrepreneurs
- Eliminates **preexisting condition** exclusions
- Begins systemic **cost containment**

## Small business tax credits



- **Available to small businesses and nonprofits**
- **Takes effect immediately**
- Who's eligible?
  - Fewer than 25 full-time equivalent employees
  - Average annual wages less than \$50,000 per year
  - Employer pays 50% of the premium cost
- **Tax credit calculator is available:**
  - <http://smallbusinessmajority.org/tax-credit-calculator/>

## Small business tax credits



- Tax credits on a **sliding scale**:
  - Up to 35% of premium expenses for 2010–13 (25% for nonprofits)
  - Up to 50% of premium expenses for any two years beginning 2014 (35% for nonprofits)
- Tax credits don't cover premium expenses of owners or their families
- Tax credits can't be claimed by the self-employed

## High-risk pools



- **Available to individuals – incl. self-employed**
- **Take effect this year (September 2010)**
- Eligibility: People who have been uninsured for 6 months and have a preexisting condition
- Available until implementation of state exchanges in 2014

## State insurance exchange



- Large **marketplace** for businesses and individuals to purchase health coverage – pools the buying power of small businesses and individuals
- Insurance plans will **compete** on price/quality
- Benefits will be **standardized**
- Plan information and pricing can be easily **compared** on the web
- Insurance can still be sold **outside** exchange
- **Congressmen and senators** will receive their health insurance through their state exchange along with millions of citizens

## Other benefits



- Many small business workers and self-employed entrepreneurs will receive **tax credits**
  - Up to 400% of federal poverty level (approx. \$90,000 for a family of four)
- Extensive reform of insurance practices – including **elimination of preexisting condition exclusions**
- **No more “job lock”** – access to healthcare not tied to employment status

## Limited shared responsibility



- 50 employees or fewer: **exempt** from any shared responsibility requirements
- Fewer than **two tenths of one percent** of businesses have > 50 employees **and** don't offer health coverage
  - "50+" businesses must pay for 60% of coverage to avoid penalty – but, if coverage isn't offered, there is only a penalty if at least one employee receives a premium subsidy
  - Cost = \$2,000 per employee in the company; first 30 employees are exempt

## Cost containment



- Exchanges leverage **pooled purchasing power** for price reduction and stability
- **Limits** on plan profits and admin. costs
- Incentives for **prevention and wellness – including small business grants**
- Other incentives for **reducing underlying medical costs**
- Expanded coverage **reduces cost-shifting**

## For More Information



- Frequently asked questions:
  - <http://smallbusinessmajority.org/hc-reform-faq/index.php>
- Small business healthcare reform summary:
  - [http://smallbusinessmajority.org/docs/resources/SBM\\_whats\\_in\\_it\\_for\\_small\\_biz.pdf](http://smallbusinessmajority.org/docs/resources/SBM_whats_in_it_for_small_biz.pdf)
- Tax credit calculator
  - <http://smallbusinessmajority.org/tax-credit-calculator/>
- For more information:
  - (866) 597-7431 or [Info@smallbusinessmajority.org](mailto:Info@smallbusinessmajority.org)