



**SMALL BUSINESS
MAJORITY**

SMALL BUSINESSES DRIVING PRACTICAL POLICY

Healthcare Reform and California Small Businesses

Presentation by David Chase
Small Business Majority

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About Small Business Majority



- **Public policy advocacy organization** – founded and run by small business owners
- **National** – based in California – offices in Sacramento and Washington, DC
- **Research and advocacy** on issues of top importance to small businesses (<100 employees) and the self-employed
- Very **focused on healthcare** over the past 3 years – top issue in all of our research

Background



- Soaring **cost** of health insurance – especially for small businesses – 54% of businesses <10 employees don't offer (*Kaiser study*)
- 29.5% **self-employed**: not covered (CA: 826,000)
- Small firms pay **18% more** than large businesses
- **Our national study**: small business health costs will **more than double** over the next 10 years – **\$2.4 trillion** total (\$243 billion in CA)

Background



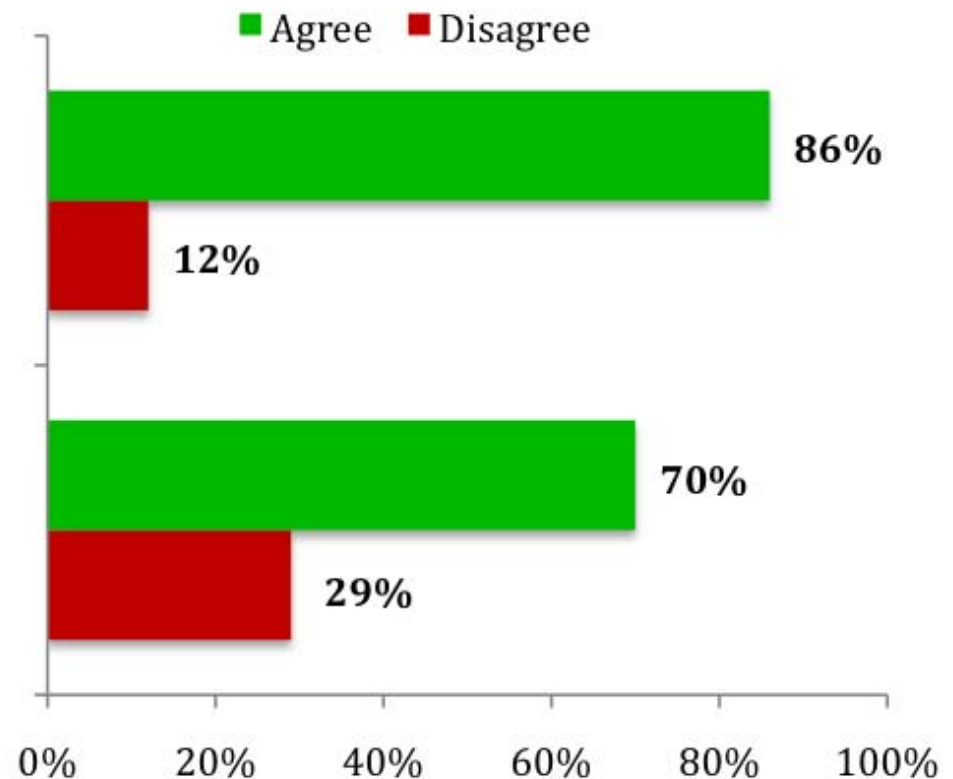
Our California survey: 86% of small businesses don't offer because of **cost**; 70% of those who do offer say they are struggling to do so

My business cannot afford to provide health coverage.

(Asked of those who don't provide coverage)

My business is really struggling to afford the cost of health coverage.

(Asked of those who do provide coverage)



The new federal law



- Builds on and fixes **our existing healthcare system** – not a government takeover
- Aims to **rein in healthcare costs**; reduces deficit by over \$100B by 2020; by \$1.3T by 2030
- **Complicated**, because it's a compromise
- Important **immediate benefits** – bulk of the law to be implemented over the next **4 years**
- **Implementation** is primarily the responsibility of the states – CA already moving forward – essential to have small business input

What's in the new law for you?



- Provides immediate **tax credits** for most small businesses (*\$40 billion in credits by 2019*)
- Provides immediate access to a **Preexisting Condition Insurance Plan** for the 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**
- Includes “**grandfather clause**” for existing plans

Small business tax credits

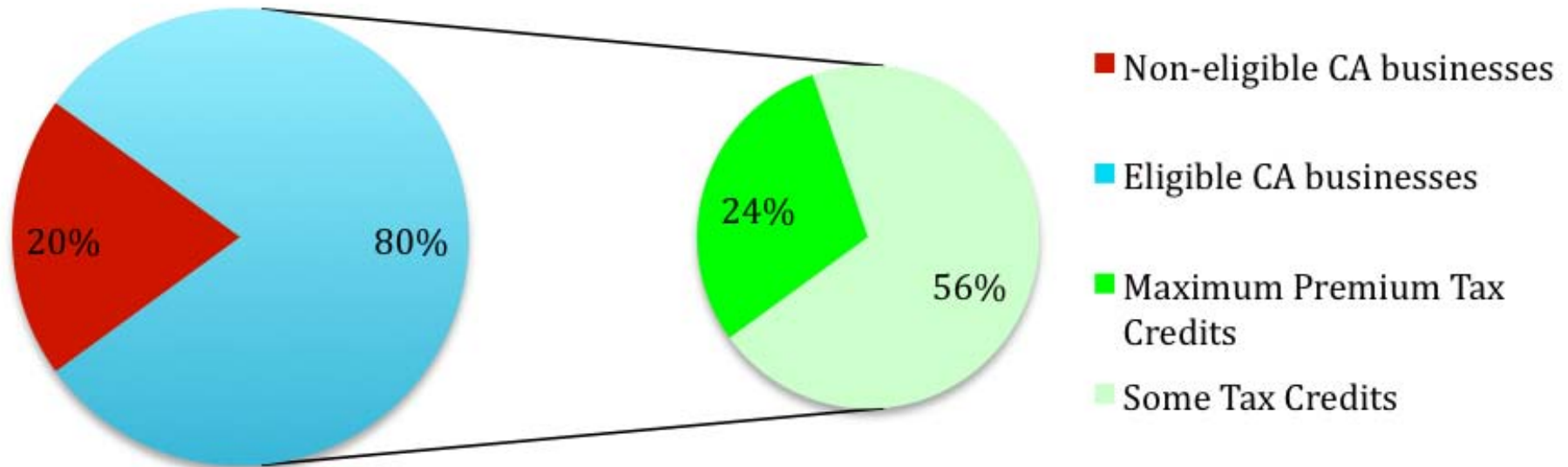


- Available to **businesses with employees**
- **Takes effect immediately** (tax year 2010)
- Which businesses are eligible?
 - Fewer than 25 full-time employees
 - Average annual wages <\$50,000
 - Employer pays at least 50% of the premium cost

Small business tax credits



Our report: 456,500 CA businesses are eligible (80% of all businesses); 135,900 CA businesses are eligible for the maximum credit



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

Preexisting Condition Insurance Plan (formerly high-risk pools)



- Available to individuals -- incl. **self-employed**
- Takes effect **immediately** (as of June 2010)
- Eligibility: People who have been uninsured for six months and have been denied for a preexisting condition
- California pool = lower premiums due to federal funding (\$760 million over 5 years)
- Available until full implementation in 2014 (no gap in coverage)

State insurance exchange



- Large **marketplace** to purchase health coverage
 - pools buying power and reduces administrative costs
- **Private** insurance plans will **compete**
- Benefits will be **standardized**, so that plan information can be easily compared, and premiums are **stabilized**
- Insurance can still be sold **outside exchange**
- **One-stop shopping** – web portal
- **Members of Congress** must use the exchange

Exchange – key issues



- Active vs. passive (can the exchange negotiate?)
- Transparent design/full-disclosure on plans, costs
- Combine small group and individual exchanges
- Regional exchanges
- Role of brokers
- Expanding exchange to large firms in 2017
- Incorporation of wellness and prevention programs
- Administrative issues: billing, payment, web, etc.
- Effective education and outreach

Other benefits



- Many small business workers and self-employed entrepreneurs will receive **premium subsidies**
 - 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”** connecting access to healthcare to employment status
- Starting in 2011, grants available for small companies that start **wellness** programs

Additional responsibilities



- 50 employees or fewer: **exempt** from any shared responsibility requirements – absolutely no obligation to offer coverage (fewer than **0.2%** of all business have >50 employees and are not offering health coverage)
- **W2 reporting** requirement begins 2011 tax year; informational only
- Current law: expanded **1099 reporting requirement** – tacked onto legislation; has nothing to do with healthcare reform – Congress committed to fixing before it would take effect in 2012

Cost containment



- Exchanges leverage **pooled purchasing power** for price reduction and stability
- **Limits** on plan profits and administrative costs
- Incentives for **prevention and wellness**
- Other incentives for **reducing underlying medical costs**
- Expanded coverage **reduces cost-shifting**
- Incentives for “**pay for performance**”

For more information



- National HHS website: www.healthcare.gov
- Our website: www.smallbusinessmajority.org
 - “What’s in Healthcare Reform for Small Businesses”
 - Detailed FAQ
 - Tax credit calculator
- Contact me at: (916) 479-1045 or dchase@smallbusinessmajority.org

 NEW AMERICA FOUNDATION

The Patient Protection and Affordable Care Act and California's Small Businesses



Micah Weinberg

Senior Research Fellow, California Program

Why reform healthcare?

- Soaring cost of health insurance, particularly for small businesses
- Fiscal strain of Medicaid and Medicare
- Spiraling number of uninsured
 - Both a moral and economic issue
 - Accelerated due to economic downturn



Why reform healthcare?

Cost of Health Benefits to Small Business Per Year: No Reform

In 2018, the annual cost of health benefits to small businesses will be \$339 billion, more than double the cost of health benefits in 2009.



Source: *The Economic Impact of Healthcare Reform on Small Business*
Small Business Majority, June 2009



“If you like what you have, you can keep it.”

- PPACA builds on America’s existing system:
 - Few changes to self-insured plans of large employers
 - Helps shore up Medicare
 - Uses Medicaid to expand coverage to working poor
 - Provides subsidies for purchase of private health insurance
 - Creates new marketplaces for individuals and small businesses
 - Standardized regulations rather than public plan competition for private insurers



Issues with the PPACA

- Building on complex system leads to complex policy – there's a lot in there!
- Savings over medium- to long-term
- There is much left to do:
 - “Healthcare reform” doesn't exist
 - Where we go from here is up to us



Key Provisions for Small Business Owners

- Small business healthcare premium tax credits
- Insurance exchange
- High risk pool
- Shared responsibility/free rider
- Cost controlling elements



Implementation: Politics and Process

Timeline

- Early deliverables (2010)
- Quality improvement projects (2010-2014)
- Establishment of new insurance marketplace (2014-)

Process

- State options, federal fallback
- Relies heavily on local healthcare systems



Thank you



Micah Weinberg

weinberg@newamerica.net

(916) 706-2664