

Small business

FACT SHEET



New options for health coverage

The federal Patient Protection and Affordable Care Act was passed in 2010 to increase the number of Americans covered by insurance.

With almost half of all Americans receiving their health insurance from their employer, small businesses play an important role in fulfilling the goals of the Affordable Care Act. Most business owners recognize the competitive advantages of providing high-quality health insurance to their employees. Offering health coverage helps recruit and retain the best talent and keeps employees healthier, happier and more productive.

The Affordable Care Act created a number of provisions to encourage more employers to cover their employees. Those provisions include making insurance more affordable and easier to purchase. To help small businesses gain greater access to new health plan options, Covered California™ will open a new health insurance marketplace later this year. Small businesses will have unprecedented access to a range of health plan choices, including group plans you might think are offered only to large companies.

Covered California's small business health options program

Covered California is developing a marketplace specifically designed for small businesses with 50 or fewer full-time equivalent employees.

This marketplace will make it easier to compare a variety of qualified, competing health plans from private insurance companies. Through Covered California, small businesses will be able to offer multiple plans to their employees, something that few small employers have been able to do easily until now.



For businesses with 50 or fewer full-time equivalent employees, Covered California is scheduled to conduct open enrollment later this year for coverage that will begin on January 1, 2014. In 2015, Covered California will begin offering health plans to employers with 100 or fewer full-time equivalent employees. You can enroll

in health plans offered by Covered California throughout the year. Unlike the individual marketplace, there is no designated open-enrollment period, giving you the option to either enroll according to your policy's renewal date or whenever you choose.

Tax credits for small businesses

As a small business owner, you may qualify for a tax credit to help offset your contribution to your employees' premium payment. There are two phases of tax credits. Starting in 2010 and lasting through tax year 2013, there is a tax credit for businesses with 25 or fewer full-time equivalent employees who are paid an average annual salary of less than \$50,000 a year. During this first phase, qualifying employers can receive a tax credit of up to 35 percent of premium expenses (24 percent for nonprofits). Starting in 2014, the maximum tax credit increases to 50 percent (35 percent for nonprofits) and is available for a total of two consecutive years. Generally, businesses with fewer than 10 full-time equivalent employees and wages averaging less than \$25,000 a year will qualify for the highest credits.

To qualify for any tax credit, employers must pay at least 50 percent of employee premium costs.

To learn more about tax credits, please consult our Tax Credits for Small Businesses Fact Sheet, which is also available at www.CoveredCA.com.



Examples of small businesses receiving tax credit for health insurance

	Beauty Shop with 10 Employees	Restaurant with 40 Part-Time Employees
Business	Main Street Hair	Downtown Café
Employees	10 full-time equivalent employees	40 half-time employees (equivalent to 20 full-time workers)
Wages	\$250,000 total, or an average of \$25,000 per employee	\$500,000 total, an average of \$25,000 per full-time equivalent worker
Employee Health Insurance Cost	\$70,000	\$140,000
2013 Tax Credit	\$24,500 (35%)	\$28,000 (12% credit)
2014 Tax Credit	\$35,000 (50%)	\$40,000 (17% credit)

Advantages of employer-sponsored health plans

Employer-sponsored health insurance is valuable for a number of reasons. People who are insured are protected against uncertain and high medical expenses. They are more likely to receive needed and appropriate health care. Health insurance also improves health outcomes and lowers mortality, so employees with health insurance are more likely to be productive workers.

Many small businesses choose to offer health insurance as an additional benefit to attract employees. It is an attractive option to offer because of the favorable tax treatment to both employer and employee.

For these reasons and others, many small employers already offer health coverage. Employers with 50 or more full-time equivalent employees that do

not offer affordable insurance or offer coverage that does not meet minimum standards will be subject to penalties starting in January 2014. Businesses with fewer than 50 full-time equivalent employees that do not provide health coverage will not face a penalty but will have new options that make providing insurance to employees even more attractive.

Health plans for your employees

Your employees will have access to a range of health plans based on the decisions you make and the criteria you establish.

One of the decisions you will make is the level of coverage, or how much a health plan will cover for medical expenses. To help you make that determination,

all health plans starting in 2014 will be classified into one of four categories: bronze, silver, gold and platinum.

The rankings are designed so that as the category increases in value, so does the percent of medical expenses that a health plan will cover. This means that the platinum-level plans will cover the highest percentage of health care expenses incurred at the time of medical

care. The health plans that cover the greatest percentage of health care expenses also usually have higher premium payments. You can choose a plan with a higher premium but lower costs at the time of medical care. Or you can choose a plan with a lower premium but higher costs at the time of medical care.

These new rankings allow you to easily compare different plans within each category.

Plans will be available through Covered California that provide coverage for employees' dependents although these will cost more. You can decide to contribute toward such a plan, or you can encourage your employees to contact Covered California to buy individual coverage for their family members.

There are many new and exciting health coverage options for small businesses. Covered California can help you discover the right ones for you and your employees.

Simplified solutions, greater choice

Covered California will help you provide affordable insurance to your employees and make it easy to manage.

- **Easy comparisons.** Covered California lets you easily compare and contrast a variety of health plans offered by private insurers that will be rated and underwritten by a new set of consumer-friendly rules. Everything you need is available online, by phone or in person.
- **Expanded and affordable choices.** Covered California levels the playing field by giving you access to more plans that are part of an insurance pool made up of all small businesses in California, offering many of the advantages of large-business insurance pools. Those advantages include purchasing power, lower costs, reduced premiums and more health plan choices. Covered California also will provide expert counsel to help small businesses identify the plans that work best for them and be a resource for private insurance agents.
- **Predictable costs.** Regardless of which plans your employees choose, your costs will remain constant because you control the amount of your contribution. Your employees might choose a higher-cost or higher-coverage plan, but your costs will stay the same, giving you a highly predictable health insurance budget.
- **Simple administration.** Covered California will make it easy to pay for insurance. Even if your employees choose different plans, you will only need to issue a single payment. Covered California will distribute the payment to cover your employees. We are also making it easy for you to keep working with your current insurance agent, who is welcome to provide counsel and enrollment support just as in the past. If you aren't working with an agent, Covered California can also provide expert advice.
- **Employer control.** You will be able to decide whether and when to participate in Covered California. You will be able to choose the level of coverage, the amount of your contribution toward your employees' coverage and any amount you may want to contribute to family or dependent care. Once you make these decisions, your employees then choose the plan that best meets their needs.



CoveredCA.com

Covered California is the new online "marketplace" that will make it simple and affordable to purchase high-quality health insurance and get financial assistance to help pay for insurance.