

# CRAIN'S CLEVELAND BUSINESS

## HEALTH CARE REFORM

### Uncertainty surrounds bill's passage

*Immediate changes likely to result in premium increase; large, midsize employers brace for additional costs*

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The ink was barely dry on the health care bill when local businesses began asking professional organizations: How does this affect me?

The answers aren't completely clear yet, but what is certain is that everyone will be affected somehow, so businesses soon should begin working with outside professionals to figure out how they will address the health care bill, said Pat Perry, president of ERC, an organization whose members deal with human resource issues.

"No one should be panicking right now, (but) we will be suggesting that every organization pause and have an in-depth conversation with their consultants and brokers," Mr. Perry said. "There is the opportunity to plan accordingly."

The Patient Protection and Affordable Care Act, as the bill formally is called, was signed into law last Tuesday, March 23, and is expected to provide coverage for 32 million Americans who aren't covered by health insurance now. Various parts of the bill will be phased in through 2018, but businesses can expect to begin feeling its effects almost immediately.

To be implemented within 90 days of the bill's signing is the creation of a high-risk pool for people with pre-existing conditions to obtain health insurance, said Steve Millard, president of the Council of Smaller Enterprises small business advocacy group. Many people previously have been denied insurance due to pre-existing ailments, or the premiums have been too high for them to afford insurance.

Also, starting in September, parents will be able to keep their adult children up to age 26 on their health insurance plans, children cannot be denied coverage due to pre-existing conditions, coverage cannot be rescinded for anyone except in the case of fraud, and insurers cannot place lifetime limits on coverage.

As a result, health insurers likely will raise premiums, said Keith Ashmus, a partner at Cleveland law firm Frantz Ward and chairman of the National Small Business Association in Washington, D.C.

"Premiums are going to go up probably pretty quickly to accommodate the changes taking place soon" and to avoid justifying those premium hikes, as will be mandated in 2011, Mr. Ashmus said.

In the meantime, businesses should prepare themselves for the provisions that will directly affect them, sometimes in a positive way, professional advisers say.

"Firms with 25 or fewer employees and average annual wages of less than \$50,000 per employee can receive a tax credit of up to 35% of health insurance premiums by picking up at least half the premium cost" of health insurance, said Amy Leopard, head of the health care group at Cleveland law firm Walter & Haverfield LLP.

That tax credit bumps up to 50% in 2014, Mr. Millard said.

In addition, companies with fewer than 10 employees who earn an average annual wage of less than \$25,000 will receive a full tax credit for paying for at least half their employees' health care premiums, Ms. Leopard said.

### **The fine print**

Whether the tax credit will motivate employers to extend insurance coverage to their workers is open to debate.

COSE's Mr. Millard said a tax credit likely won't be enough to sway small companies to provide insurance coverage for employees if they don't already do so because of the added cost. And, under the health bill, companies with fewer than 50 employees will not be mandated to provide insurance and will not be penalized for not providing coverage, he said.

Still, Mr. Millard said, "Whether you are for or against the bill, there will be some benefits, especially for entrepreneurs who don't have access to health care today."

However, there are catches, especially for midsize and large employers.

Individuals will be required to carry health insurance, but if they earn less than \$58,280 for a family of two, they will receive tax credits to help pay those premiums. This is where the health bill could get sticky for companies with more than 50 employees.

If a business with more than 50 workers has at least one employee who receives a tax credit to help cover the cost of insurance premiums, the company must offer affordable insurance or pay a fine of \$2,000 for each employee after 30, Walter & Haverfield's Ms. Leopard said.

The fine would increase to \$3,000 per employee after 30 if the insurance the company offers is deemed unaffordable, she added. The federal government would deem an employee's contribution to his or her health care premiums unaffordable if it exceeds 9.5% of the employee's household income, Ms. Leopard said.

ERC's Mr. Perry said no one has suggested that the health reform bill actually would help companies reduce their own costs.

"We will see organizations taking a hard look at what employee benefits they offer and what they should do in light of what has been passed," he said.

### **Looking for the work-around**

In 2014, employers can expect premiums to rise again as insurers no longer will be able to deny coverage to anyone with pre-existing conditions and cannot impose annual limits on covered care, Mr. Ashmus said. These mandates will replace the temporary high-risk pools created this year.

Both COSE and ERC will be offering seminars and workshops to educate members on the reform bill as the government irons out the details. Until then, they are urging employers to call them with any questions.

"Whether it's in the form of increased rates or additional taxes, this is going to keep consultants and attorneys busy for quite some time," Mr. Perry said. "There will be a number of folks who are going to be looking for ways to work through and around what's been passed."