

Health Care Reform for Small Businesses

You're probably wondering what all of this health care reform means to your business. And while we are still reviewing the details, here is an overview of the items that are most likely to affect small businesses in the next couple of years.

These provisions address health care coverage:

1. **Pre-existing conditions.** This year, adults with pre-existing conditions who have been uninsured for six months will have access to a temporary subsidized high-risk pool for coverage. At the same time, children with pre-existing conditions can no longer be excluded from coverage.
2. **Lifetime caps.** Effective immediately for new plans, and in six months for existing plans, lifetime health insurance benefit caps will be eliminated.
3. **Dependent coverage.** As of enactment date, uninsured millennials can stay on their parent's family health plan until the end of the calendar year in which they turn 26.
4. **Wellness benefits.** This year, prevention and wellness benefits are exempted from deductibles and are required to be provided in all new plans.
5. **Rescission.** Insurers are generally prohibited from rescinding coverage when claims are filed, except in cases of fraud or intentional misrepresentation.

These provisions will impact small business owners and their employees:

1. **Small employer credits.** This year, certain small business employers can take a credit of up to 35% of the amount of their contribution for employee health insurance. Eligible employers can have up to 25 full-time equivalent employees averaging up to \$50,000 per year in salary.
2. **W-2 forms.** The cost of employer provided health insurance benefits will be reported on W-2 forms starting in 2011.
3. **Free choice vouchers.** Starting in January of 2014, employers who pay a portion of coverage under employer-sponsored plans will have to provide certain employees vouchers for an "Insurance Exchange."
4. **Additional Hospital Insurance tax.** Wage earners who make more than \$200,000 starting in January of 2013 will be paying .9% more than the 1.45% Medicare tax they are currently paying on wages and self-employment income.
5. **1099 reporting.** Starting in 2012, businesses will have to file information returns for any corporation who is paid more than \$600 for goods or services during a calendar year. (Currently these returns are only filed for unincorporated providers of goods or services.)
6. **Simple cafeteria plans.** Starting in 2011, a new employee benefit plan promises to make it easier for small businesses to offer tax-free employee benefits.
7. **Uncovered individuals.** Starting in 2014, individuals who elect not to have minimum essential health care coverage will pay an annual penalty of up to \$695 by 2016.