



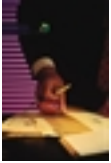
**ASAM**  
Stuart Horowitz  
Andrew Rosenberg  
12510 W. Atlantic Blvd.  
Coral Springs, FL 33071  
954-510-1100  
stuart@andrewstuart.net  
www.andrewstuart.net

# Health-Care Reform: How Does It Affect Businesses?

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In March of 2010, President Obama signed two pieces of legislation into law, implementing the most pervasive health-care reform since Medicare. Many of the reforms that relate to business and employers don't take effect until 2014. Here are some of the important highlights of health-care reform from the perspective of employers and businesses.

### Health insurance not required but encouraged

Contrary to popular belief, health-care reform does not actually require all employers to offer health insurance to their employees. Instead, the new reforms use financial penalties to encourage employers to offer affordable health insurance coverage. Specifically, beginning in 2014, employers who have at least 50 full-time employees, and do not offer health insurance, may be assessed a fee of \$2,000 for each full-time employee (excluding the first 30 employees) if at least 1 employee is receiving a premium credit. (A premium credit can be used by eligible individuals and families who purchase health insurance through state-based exchanges to reduce the premium cost.)

Even employers who do offer coverage may face a fee if at least 1 full-time employee is receiving a premium credit. The fee is either \$3,000 per employee receiving the credit or \$2,000 for each full-time employee, whichever total is less. Employers with fewer than 50 full-time employees are exempt from these fees. But, employers with 200 or more employees must automatically enroll employees in health insurance plans offered by the employer. The employee may voluntarily opt out of the employer's plan.

In addition, employers that offer employee health insurance must offer a free choice voucher to employees who elect to enroll in a state-based American Health Benefit Exchange plan. The value of the voucher is equal to the amount the employer would have paid to cover the employee under the employer's plan. Employees may enroll in an Exchange plan if the employee's income is less than 400% of the Federal Poverty Level (FPL) and the employee's cost to participate in the employer's plan is between 8% and 9.8% of the employee's income. The voucher can be used to offset the employee's cost to participate in the Exchange plan.

### Employer incentives

As an incentive for small businesses to offer employee health insurance, from 2010 to 2013, employers with 25 or fewer full-time employees with average annual wages less than \$50,000 may be eligible for a tax credit of up to 35% of the employer's total premium cost. Beginning in 2014, small businesses that buy insurance through state Exchanges for their employees may receive a credit of up to 50%. In either case, the credit decreases as the number of employees and average annual wage increases.

By 2014, in an effort to promote wellness and decrease health insurance costs, employers will be able to offer employees rewards, such as premium discounts and added benefits, for participating in wellness programs and meeting certain health-related standards. The value of the rewards can equal as much as 30% of the cost of coverage and may even reach 50% in some cases.

Employers who provide insurance for retired employees who are over age 55, but not yet eligible for Medicare, may receive reimbursement for 80% of retiree claims between \$15,000 and \$90,000. This temporary reinsurance program begins in 2010 and is available until 2014. On the other hand, employers who currently receive a tax deduction for Medicare Part D drug subsidy payments will see that deduction eliminated in 2013.

Small businesses with up to 100 employees may be able to purchase health insurance through state-based Small Business Health Options Program (SHOP) Exchanges by 2014. The Exchanges will offer at least four benefit categories of plans based on covering an increasing percentage of benefit costs.



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