



# Health Care Reform Will Benefit Small Businesses in Massachusetts

## WHY SMALL BUSINESSES NEED HELP

**LESS THAN HALF INSURE WORKERS:** Only 45% of America's smallest firms currently can afford to offer health care benefits. In fact, 60% of America's uninsured—or 28 million—are small business owners, workers, and their families.

**COSTS GOING UP:** Insurance costs for small businesses have increased 129% since 2000.

**SMALL BUSINESS EMPLOYEES PAY MORE:** Small business employees pay an average of 18% more in premiums than those in large firms for the same benefits. Their deductibles are more than double.

**HIGHER ADMINISTRATIVE COSTS:** Up to 25% of the cost of premiums is for administrative costs for some small business health plans, compared to 10% for large firms.

## SMALL BUSINESS TAX CREDITS

**THE BILL PROVIDES \$40 BILLION IN TAX CREDITS FOR SMALL BUSINESSES** to help them offer employee coverage

The bill provides a sliding scale tax credit to small businesses with fewer than 25 employees and average annual wages of \$50,000 or less that purchase health insurance for employees. The full 50% credit will be available to employers with 10 or fewer employees and average annual wages of \$25,000 or less. To be eligible for a tax credit, the employer must contribute at least half of the total premium cost.

The small business tax credits begin immediately in 2010.

An estimated 60% of America's businesses will qualify for these small business tax credits under the bill.

## SUBSIDIES WILL MAKE COVERAGE AFFORDABLE FOR MANY SMALL BUSINESS EMPLOYEES

Many of the small business employees who do not receive insurance through their employer and who purchase insurance through the Commonwealth Connector will have access to sliding-scale subsidies to help

them pay their premiums. This premium assistance will help many small business employees who currently find health coverage simply unaffordable finally be able to purchase coverage for themselves and their families. Currently, the Commonwealth Connector provides subsidies to individuals and families up to 300% of the Federal Poverty Level. Because of national reform, effective in 2014, subsidies will be provided to individuals and families up to 400% of the Federal Poverty Level. This means an individual with up to \$43,320 in income and a family of four with \$88,200 in income will be eligible for these subsidies, which will be available starting in 2014.

## **VAST MAJORITY OF SMALL BUSINESSES EXEMPT FROM SHARED RESPONSIBILITY REQUIREMENT**

### **SMALL BUSINESSES WITH FEWER THAN 50 EMPLOYEES ARE EXEMPT FROM SHARED RESPONSIBILITY REQUIREMENT:**

In recognition of the fact that providing employee health coverage is simply unaffordable for many of America's small businesses, the bill exempts all small businesses with fewer than 50 employees from the bill's shared responsibility requirement, which begins in 2014. This means that, under the bill, 96% of America's businesses will be exempt from the shared responsibility requirement.

Starting in 2014, small business employees will have access to a Health Insurance Exchange where they will have the group purchasing power of a big business to get lower prices and better quality coverage.

### **THE SHARED RESPONSIBILITY REQUIREMENT FOR FIRMS WITH 50 OR MORE EMPLOYEES:**

Beginning in 2014, employers with 50 or more employees that do not offer health insurance coverage will pay an assessment of \$2,000 per full-time worker if any of their employees obtain subsidies through the Commonwealth Connector. However, to avoid disincentives to hire an additional employee above 49 employees, the bill subtracts the first 30 employees from this payment calculation.

For example: A business of 100 people does not provide health insurance for its employees. 75 of those employees do not have coverage through their spouse, so they access coverage on the Connector. Not all 75 individuals qualify for subsidies because their income is too high. Only 50 employees qualify for subsidies. In that case, the business would be charged \$2000 per employee for 20 employees, per year, because the first 30 are subtracted from the calculation.

### **SMALL BUSINESSES ARE PROTECTED IN BILL'S TAX ON HIGHEST EARNERS**

To help pay for these reforms so that insurance is affordable for small businesses and the middle class, the bill provides a modest increase in taxes for the nation's highest earners. Specifically, the bill slightly increases the Medicare Hospital Insurance (HI) tax on the portion of wages and self-employment income above \$200,000 for individuals and \$250,000 for married couples. It also broadens the taxable base of the HI tax to apply to dividends, interest, and other unearned income for individuals with incomes above \$200,000 and couples with incomes above \$250,000. In broadening the base to apply to unearned income, the bill explicitly exempts income actively earned by people running a small, closely-held business (for example, active income earned from shares in an S corporation).