

The Affordable Care Act *in Brief*

Impact on America's Smallest Businesses



Beginning January 14, 2014, all Americans, including America's smallest businesses – the self-employed – will be required to obtain health coverage or pay a penalty. Representing the most significant change to our health care system in decades, the Patient Protection and Affordable Care Act (ACA) was signed by President Barack Obama in March of 2010.

A keystone of the ACA is the requirement that new health marketplaces, known as an Exchanges, be set up in every state to offer health coverage options to individuals, families and small businesses to meet this new health coverage requirement. **Enrollment in the newly created state-based Exchanges begins October 1, 2013.** Due to their business structure, size and revenue, the self-employed will be markedly impacted by health reform.

What Will Change For The Self-Employed?

- No longer can the self-employed be denied health coverage due to their health status: **Insurance Market Reforms in ACA**
- Plans currently favored by the self-employed - catastrophic or major medical health plans- will be extinct in 2014. The self-employed will have new, more comprehensive insurance options: **Essential Benefits Requirements in ACA**
- How the self-employed will access and shop for health coverage will change in 2014: **State-based Exchanges in ACA**
- The ability of the self-employed to afford new health coverage options will be determined in 2014: **Premium Assistance in ACA**

Insurance Market Reforms

The self-employed can no longer be denied health coverage due to their health status.

- Self-employed will have access to health insurance regardless of pre-existing conditions or health status.
- Self-employed with insurance will see improvements to their existing health coverage.
- Self-employed with insurance purchased after September 23, 2010 will have access to expansive preventative services and health screenings.

PRO: Increased access to health care for the self-employed.

CON: Reforms will add to cost of health coverage.

Exchanges

New health marketplaces created in every state to allow individuals, families and small businesses to shop and purchase health insurance via an online portal.

- Must be set up by October 1, 2013 in each state.
- Exchanges will also determine eligibility and direct qualifying individuals into government programs like Medicaid, CHIP, etc.
- States can set up their own Exchange, partner with the federal government or opt out of setting up their Exchange.
- Consumers in states that have opted out will access the Federal Exchange.

PRO: Exchanges could create effective insurance pool to improve access and affordability of coverage while also making shopping for health coverage easier.

CON: Dependent upon design and the role of state officials, could lead to minimal plan options and participation which would negatively impact cost of coverage.

Essential Benefits Requirements

The ACA created new minimum coverage guidelines for health insurance.

- Health plans offered both in and out of Exchanges are required to offer a comprehensive package of benefits and services.
- The self-employed will be able to choose between four levels of coverage: platinum, gold, silver and bronze.
- Out-of-pocket costs and deductible limits would be restricted.
- Insurance options will still vary by state since state determines what plans will meet new minimum coverage requirements.

PRO: Provides the self-employed with quality, comprehensive plan options.

CON: With new minimum coverage, higher health care costs for the self-employed.

Premium Assistance

The law provides for health insurance subsidies to be provided to individuals, including the self-employed, beginning in 2014. *Self-employed business owners are **not** eligible for the Small Business Health Tax Credit.*

- Subsidies are only available to those who meet certain eligibility requirements and purchase insurance in the new Exchanges.
- Premium assistance credits available to individuals and families with income up to 400% of the federal poverty level. Administered as tax credits through the IRS.
- The amount of the subsidy is dependent upon income level and the cost of premiums as a percentage of income.

PRO: Provides financial support to afford health insurance, including the self-employed who have gone uninsured due to the high cost of coverage.

CON: Assistance unavailable to those with current coverage unless they drop and enroll in the new Exchange in their state.

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nase
National Association
for the Self-Employed
<http://www.nase.org>

2013 Federal Poverty Guidelines 48 Contiguous States & D.C.

Household Size	100%	133%	150%	200%	300%	400%
1	\$11,490	\$15,282	\$17,235	\$22,980	\$34,470	\$45,960
2	15,510	20,628	23,265	31,020	46,530	62,040
3	19,530	25,975	29,295	39,060	58,590	78,120
4	23,550	31,322	35,325	47,100	70,650	94,200
5	27,570	36,668	41,355	55,140	82,710	110,280
6	31,590	42,015	47,385	63,180	94,770	126,360
7	35,610	47,361	53,415	71,220	106,830	142,440
8	39,630	52,708	59,445	79,260	118,890	158,520
For each additional person, add	\$4,020	\$5,347	\$6,030	\$8,040	\$12,060	\$16,080

Note: The 100% column shows the federal poverty level for each family size, and the percentage columns that follow represent income levels that are commonly used as guidelines for health programs.

Remaining Questions

- How is the Department of Health & Human Services (HHS) working with those states that have declined to establish a state-based Exchange?
- What is HHS doing to ensure competition in the Exchanges, especially in those states that are defaulting to a Federal Exchange?
- What is the likelihood that some states will have only one insurance carrier offering options in their Exchange?
- How is the Administration and HHS working to ensure enrollment of healthy individuals in the Exchanges?

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Sources:

U.S. Census Statistics of U.S. Businesses and Nonemployer Statistics, 2011
Kaiser Family Foundation
<http://kff.org/health-reform/state-indicator/health-insurance-exchanges/#map>
<http://kaiserhealthnews.org/stories/2011/march/30/exchange-faq.aspx>

Subsidy Calculator
<http://kff.org/interactive/subsidy-calculator/>
Brief on Health Insurance Subsidies
<http://kaiserfamilyfoundation.files.wordpress.com/2013/01/7962-02.pdf>

For more information, visit: www.nase.org/LearningCenter/BusinessTopics/Health

Fast Facts

22 million
Self-employed nationwide

28%
Uninsured self-employed

6.2 million
Self-employed without coverage

19 million
Americans to benefit from
premium assistance

20
States that will offer Exchanges

7
States planning to partner
with the federal government

27
States that have opted out
and will default to the
Federal Exchange

\$6,350 individual
\$12,700 family
Limit on out-of-pocket costs

\$95 adult
\$47.50 child
Penalty in the first year for not
purchasing health insurance