

# Impact of Health Reform on the Self-Employed

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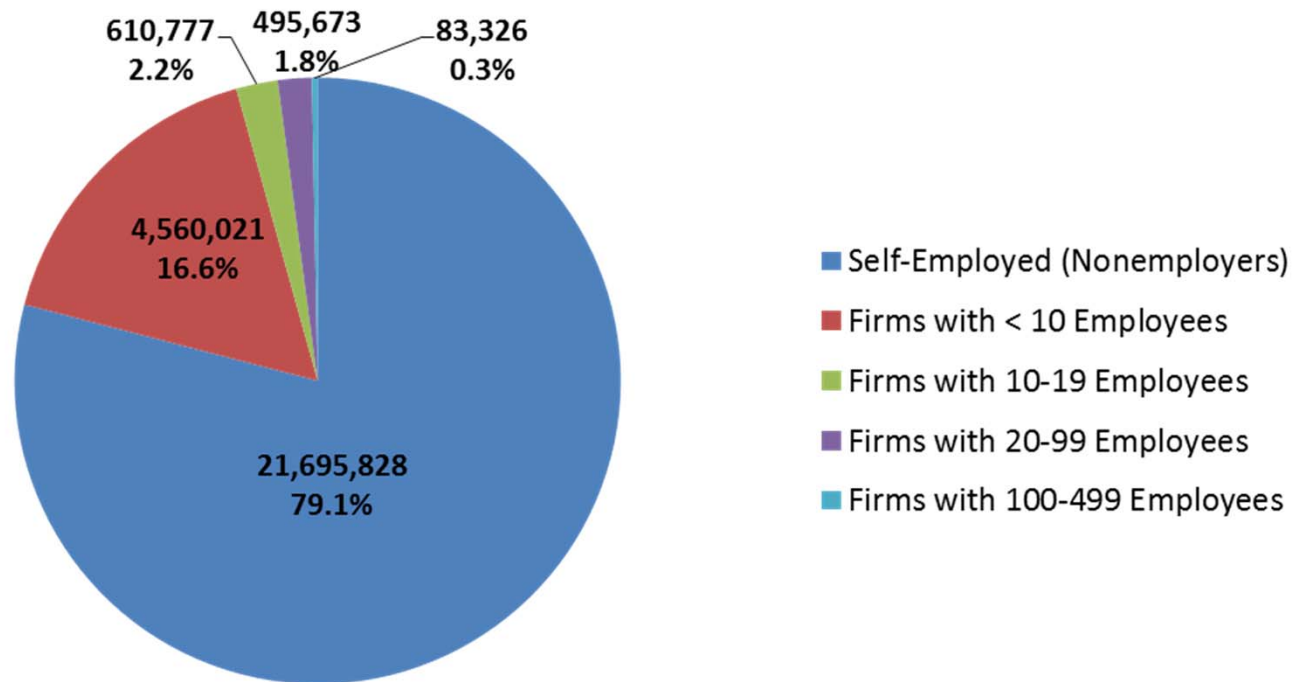
National Association for the Self-Employed (NASE)



[www.NASE.org](http://www.NASE.org)

# Did You Know?

## The Majority of U.S. Small Businesses are Self-Employed



Source: U.S. Census Statistics of U.S. Businesses and Nonemployer Statistics, 2010

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# What's Will Change for the Self-Employed?

- The self-employed can no longer be denied health coverage due to their health status: **Insurance Market Reforms**
- What choices the self-employed will have in terms of coverage options: **Essential Benefits Requirements**
- How the self-employed will access and shop for health coverage: **Exchanges**
- The affordability of new health coverage options for the self-employed: **Premium Assistance**

# Insurance Market Reforms

- Insurance carriers can no longer deny the self-employed coverage: **The law requires insurance companies to provide coverage to Americans regardless of health status or pre-existing conditions.**
- Enhancements to existing health coverage: **The law rolled out changes to current health insurance such as,**
  - requiring carriers to allow young adults under 26 to stay on their parent’s health plan;
  - no longer allowing lifetime caps on the amount of an insurance payout an individual can receive; and
  - Restricting health insurance companies from retroactively cancelling your insurance due to an honest mistake during the application phase.
- Expansion of Preventative Services: **If you have a new health insurance policy beginning on or after September 23, 2010, a number of preventative services are required to be covered by your plan without you having to pay a copayment or co-insurance or without having to meet your deductible.**
  - Screenings for chronic diseases, colon cancer screenings, breast cancer screenings, immunizations, etc.

## Insurance Market Reforms: Pros & Cons

- **PRO:** Makes health care accessible to all regardless of their health status.
  - The self-employed have often been in the cross-hairs of the insurance underwriting process and frequently get denied coverage or have to pay significantly higher premiums for coverage due to their health status.
- **CON:** These reforms will add to the cost of health coverage.

# Essential Health Benefits: Types of Health Plans

- Essential health benefits create minimum coverage guidelines for health insurance.
- **What are Essential Health Benefits: requires health plans both in and out of the new health marketplaces (Exchanges) to offer a comprehensive package of benefits and services in at minimum 10 categories:**
  - ambulatory patient services;
  - emergency services;
  - hospitalization;
  - maternity and newborn care;
  - mental health and substance use disorder services;
  - prescription drugs;
  - rehabilitative and habilitative services and devices;
  - laboratory services;
  - preventative, wellness and chronic disease management; and
  - pediatric services including oral and vision care.

# Essential Health Benefits: Types of Health Plans

- Consumers, including the self-employed, will be able to choose between four levels of coverage: **platinum, gold, silver, and bronze**.
  - Platinum plans will have the highest premiums but offer the lowest out-of-pocket expenses.
  - Bronze will have the have higher deductibles and co-payments totaling up to 40% of out-of-pocket costs on average.
- Limit on maximum out-of-pocket costs a consumer could face per year would apply to all policies: **\$6,350 for an individual and \$12,700 for family in 2014**.
- Essential Health Benefits provide a floor, the minimum coverage allowed but does not set forth a national standard. **States will determine what plan options in their state look like as long as they adequately cover the ten categories and meet designated actuarial values for the four levels.**

## Essential Health Benefits: Pros & Cons

- **PRO:** Provides the self-employed with quality, comprehensive plan options.
  - Of the self-employed that purchase health insurance for themselves and/or their family, they often purchase plans that can be categorized as limited benefit or major medical leaving many with significant out-of-pocket costs and gaps in coverage.
- **CON:** The new minimum coverage is significantly richer than what current self-employed individuals have now. With more comprehensive coverage also comes higher costs, thus the self-employed will be paying more for insurance in 2014.
  - The Congressional Budget Office estimates that premiums in the individual market would increase between 10% to 13% on average.



## Exchanges: Shopping for Health Coverage

- **What are Exchanges:** It's a marketplace where individuals will shop for insurance coverage. They must be set up by October 1, 2013. They will also determine eligibility and direct people into government programs like Medicaid, CHIP, etc.
- States can set up their own Exchange, partner with the federal government to run an Exchange or opt out. Citizens in states that opt out can enroll in a Federal Exchange.
  - As of May 10, 2013 there were 17 states that will offer a state-based Exchanges, 7 states planning to partner with the federal government, and 27 states that have opted out and will default to a Federal Exchange.

# Exchange Elements

- **Qualification of Health Plans:**
  - States that set up their own Exchanges can decide which insurers participate and whether to require health benefits beyond those set under federal law.
  - They can require insurers to meet quality or pricing guidelines.
- **Shopping for Health Coverage:**
  - States must ensure that consumers are able to access all pertinent health coverage options in the Exchange. Must have an online portal with standardized information on plan benefits, cost and quality.
  - States must operate toll-free hotlines to help consumers choose a plan, determine eligibility for federal programs or subsidies, etc.
- **The design of Exchanges will have a direct impact on the two key concerns for the self-employed: **insurance carrier options and cost of coverage.****

Exchange Resources: Kaiser Family Foundation

<http://kff.org/health-reform/state-indicator/health-insurance-exchanges/#map>

<http://www.kaiserhealthnews.org/stories/2011/march/30/exchange-faq.aspx>

## Exchanges: Pros & Cons

- **PRO:** Dependent upon design, Exchanges could create an effective pooling mechanism to improve access and affordability of coverage for the individuals and the self-employed.
- **PRO:** Exchanges could make shopping for health coverage easier for the self-employed since they must ensure that information and pricing about health coverage options are in an easy-to-understand, plain English format to allow for consumers to adequately compare and shop for coverage.
- **CON:** If not designed properly with the right incentives, could lead to minimal plan options and participation, negatively impacting cost of coverage.

# Premium Assistance: Affording Health Coverage

- The law provides for health insurance subsidies to be provided to individuals beginning in 2014: **Only available in the Exchanges and must meet certain eligibility requirements.**
- Premium Assistance Credits: **Available for individuals and families with income up to 400% of the federal poverty level.**
  - Only available to those individuals or families who do not qualify for other programs such as employer-sponsored health plans, Medicaid, CHIP, etc.

## 2013 Federal Poverty Guidelines

### 48 Contiguous States and DC

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.

| 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 |

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## Premium Assistance: Affording Health Coverage

- What is the amount of the subsidy: **The amount of the tax credit varies with income levels such that the premium a person would have to pay for the second lowest cost plan (silver) in their Exchange would not exceed a specified percentage of their income.**

| Income Level   | Premium as a Percent of Income |
|----------------|--------------------------------|
| Up to 133% FPL | 2% of income                   |
| 133-150% FPL   | 3 – 4% of income               |
| 150-200% FPL   | 4 – 6.3% of income             |
| 200-250% FPL   | 6.3 – 8.05% of income          |
| 250-300% FPL   | 8.05 – 9.5% of income          |
| 300-400% FPL   | 9.5% of income                 |

Premium Assistance Resources:

Subsidy Calculator: <http://kff.org/interactive/subsidy-calculator/>

Brief on Health Insurance Subsidies: <http://kaiserfamilyfoundation.files.wordpress.com/2013/01/7962-02.pdf>

# Premium Assistance: Affording Health Coverage

- How will premium subsidies be administered: **Available as tax credits through the IRS.**
  - Tax credits are both refundable and advanceable.
  - A refundable tax credit is available to a person or family regardless of tax liability.
  - An advanceable tax credit allows a person or family to obtain assistance at the time the purchase insurance rather than paying out of pocket and waiting for reimbursement when filing their annual tax return.
- Exchanges will be required to determine eligibility of premium assistance for consumers and the Department of Treasury and IRS will be laying out the application process.
- It is estimated that nearly 19 million people will benefit from subsidies by 2019.

## Premium Assistance: Pros & Cons

- **PRO:** For those that qualify, they will receive financial help to afford health insurance. It will possibly help those self-employed business owners and consumers who have gone uninsured due to the high cost of coverage to now be able to afford health insurance.
- **CON:** Those who currently have insurance don't receive any assistance with affordability unless they drop the health coverage they have and purchase new coverage in the new Exchange in their state.

## Why Should You Be Concerned?

- The self-employed and small business will be directly impacted by health reform.
- The health reform law requires that every adult and child have health insurance as of January 1, 2014: **Individual Mandate**
- Those without coverage will face penalties for not having coverage in 2014:
  - \$95 adult/\$47.50 child in 2014 or 1% of family income, whichever is greater; \$325 adult/\$162.50 child in 2015 or 2% of family income; \$695 adult/ \$347.50 per child in 2016 or 2.5% of income; and subsequently penalty amounts are increased annually by cost of living.
  - Exemptions: Family income is below \$10,000 for individual and \$20,000 for a family in 2013; You have to pay more than 8% of your family income for health insurance, after taking into account any tax credits, premium assistance or employer contributions.



## Why Should You Be Concerned?

- Those without insurance or those needing to get new insurance to meet the updated criteria for minimum coverage allowed will be facing an added financial burden on their family budget.
- According to the Employee Benefits Research Institute, 28% of self-employed workers are uninsured = **6.2 million self-employed without health coverage**

## Get Help!

- NASE's Ask the Expert program offers access to our Health Reform Experts to help you navigate the health care changes that will affect you, your family and your business.
- **Link:**  
<http://www.nase.org/LearningCenter/AsktheExperts.aspx>

