Obamacare Decision Tree

Quick Guide to Preparing for New Health Care Requirements

By Chaille Brindley

Are you having trouble knowing how to prepare for new health care rules and penalties set to take effect next year? By answering these questions, you can get a good picture of where you stand and what strategies to consider. This decision tree should be used in conjunction with professional insurance, legal and tax services to see how the rules apply to your situation.

Remember even if you have separate companies, all companies that are under the ownership and control of a single entity are considered as one organization for the purposes of the new health care coverage requirements.

Do you have 50 or more full-time or full-time-equivalent employees?

YES — If you have 50 or more full-time or full-time-equivalent (FTE) employees, you have to offer adequate coverage or pay penalties. (See employee caculation instructions on page 44.)

NO — Congratulations! You are exempt from the health care coverage requirements and cannot be fined. Your companies may still qualify to buy insurance on a state exchange.

Do you have more than 100 employees?

YES — Large companies, those with more than 100 full-time equivalent employees. are exempt from minimum health care policy requirements detailing all the procedures and treatments that must be covered.

NO — Companies between 50-100 employees have to meet minimum policy requirements. As these new requirements take effect, insurance companies will likely alter plans to ensure these minimums are met. These changes will likely increase health care costs for these businesses. Ask your insurance carrier how compliant your plan is to Obamacare minimum requirements.

Do you offer or plan to offer health care coverage to employees?

YES — Is the employee required contribution for the self-only insurance premiums less than 9.5% of an employee's W-2 income? And does the insurance meet the 60% minimum value threshold? According to Obamacare rules, if your plan meets the above conditions, it is considered affordable for employees. Affordable plans that meet minimum coverage requirements are exempt from penalties. Otherwise, you would owe $3,000 per full-timer receiving the credit or subsidy. Or you could be charged $2,000 per total number of full-timers minus the first 30 people, whichever is less.

NO — If you don't offer coverage, and if at least one full-time employees receives a subsidy in the new exchange, you will have to pay a penalty of $2,000 per fulltime employee minus the first 30.

Will any of your employees buy coverage on a state based or federal exchange?

YES — If an employer offers a qualified health plan, the employee can only leave it and go to a subsidized exchange policy if two conditions are met: (1) If the employee's household income is under 400% of the federal poverty level (e.g., for a family of 4, it's around $92,000 a year), and (2) if the employee's portion of the health insurance premium exceeds 9.5% of the employee's household income. For many, going to an exchange would provide the employee with a much better deal, but law forbids them to take advantage of it.

NO — Since none of your employees are eligible to go on the exchanges or trigger subsidies, your company is exempt from all the penalties. Employees may decide not to buy insurance if they are healthy and want to spend their money elsewhere. Or they may not opt for coverage if they are illegal aliens and do not want to risk getting caught for immigration violations.

Do you have fewer than 25 FTE workers?

YES — Your company may qualify for a small business tax credit of up to 50% of the employer paid premiums for up to two years. Employees must earn on average less than $50,000 and you have to buy insurance a state-operated small business exchange.

NO — Your company does not qualify for federal credits or subsidies.

Is your state planning to and ready to develop its own exchange?

YES — Your state either has exchanges ready to go or is likely to meet the deadline (October 1, 2013). Thus, your workers are not likely to be forced onto the federal exchanges if your company does not offer affordable, quality coverage.

NO — Insurance exchanges are supposed to be ready for enrollment in every state by October 1 and up and running by January 1, 2014. Some states are planning to establish state-level exchanges and others are opting for federal/state partnerships. In many or most of these states, planning and implementation appear to be considerably behind schedule. Around half of the states have said they will not establish state or federal/state exchanges, so the federal government is required to establish and operate exchanges in those states. It is not at all clear at this time that the federal exchanges will be ready for their October 1 and January 1 dates, either.

Is your current health care plan a high deductible health savings account (HSA) type program?

YES — Obamacare does not outlaw HSAs. What it does is severely limit the high deductibles that made these plans attractive to both companies and individuals. Beginning in 2014, deductibles in the small group marketplace will be limited to $2,000 for individuals and $4,000 for families. This move would handicap the effectiveness of health saving accounts and other previous initiatives designed to reduce costs by putting a greater burden on the consumer to price shop and limit frivolous medical expenditures.

NO — Your company does not have to worry about lower deductible limits in Obamacare (other than the effects on premiums). Your plan can likely continue as is with minimum changes except for new coverage requirements.

Do you have part-time employees?

YES — The employer responsibility section of the law does not require employers to offer health care coverage to part-time employees or pay any penalties for failure to offer health coverage to these employees. Part-time employees are those who average fewer than 30 hours per week. These employees are counted only in determining whether an employer meets the 50 full-time-equivalent threshold for coverage under the law.

NO — Part-time employees could provide needed skills and abilities without the cost associated with full medical benefits.