



# NAPEO FEDERAL GOVERNMENT AFFAIRS ADVISORY

## Healthcare Update

Healthcare reform is a multi-part, multi-phase process. The bill signed on March 23, 2010 is just one part of the process – albeit a big one. Congress subsequently adopted a reconciliation bill (sometimes called the “fix it” bill) that was also just signed into law and there are implementing regulations and guidance to be issued by relevant federal agencies, including Treasury, HHS and Labor.

NAPEO has worked, and is continuing to work, with Congressional leaders and regulators to obtain clarification of the application of the health reform legislation to PEO relationships. NAPEO will continue to provide members with up-to-the-minute information as it becomes available. Here is what we know at the present:

### Small Business Tax Credits

Small employers with no more than 25 employees and average annual wages of less than \$50,000 that purchase health insurance for employees will receive a tax credit. NAPEO is working diligently to assure that clients participating in a PEO arrangement will receive the benefit of this credit.

- **Phase I:** For tax years 2010 through 2013 - a tax credit of up to 35% of the employer’s contribution toward the employee’s health insurance premium if the employer contributes at least 50% of the total premium cost or 50% of a benchmark premium.
  - The full credit will be available to employers with 10 or fewer employees and average annual wages of less than \$25,000. The credit phases-out as firm size and average wage increases.
  - Tax-exempt small businesses meeting these requirements are eligible for tax credits of up to 25% of the employer’s contribution toward the employee’s health insurance premium.
- **Phase II:** For tax years 2014 and later - eligible small businesses that purchase coverage through the state Exchange will receive a tax credit of up to 50% of the employer’s contribution toward the employee’s health insurance premium if the employer contributes at least 50% of the total premium cost. The credit will be available for two years.
  - The full credit will be available to employers with 10 or fewer employees and average annual wages of less than \$25,000. The credit phases-out as firm size and average wage increases.

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**Reinsurance for Older Workers -  
Effective 90 Days after Enactment through Jan. 1, 2014**

The Act creates a temporary reinsurance program for employers providing health insurance coverage to retirees over age 55 who are not eligible for Medicare. This program will reimburse employers or insurers for 80% of retiree claims between \$15,000 and \$90,000. Payments from the reinsurance program will be used to lower the costs for enrollees in the employer plan.

**Employer mandates – January 1, 2014  
More details to come after adoption of reconciliation bill in Senate**

- An employer with more than 50 employees that does not offer coverage and has at least one full-time employee who receives a premium tax credit will be assessed a fee of \$2,000 per full-time employee, excluding the first 30 employees from the assessment.
- An employer with more than 50 employees that offers coverage but has at least one full-time employee receiving a premium tax credit will be assessed the lesser of
  - \$3,000 for each employee receiving a premium credit or
  - \$2,000 for each full-time employee.
- Employers that impose a waiting period before employees can enroll in coverage will be required to pay \$400 for any full-time employee in a 30-60 day waiting period and \$600 for any employee in a 60-90 day waiting period.
- An employer that offers coverage to employees must provide a free choice voucher to an employee whose income is less than 400% of the federal poverty level if the employee's premiums are more than 8% but less than 9.5% of his income and he chooses to enroll in a qualified health plan through an exchange.
- The voucher amount is equal to what the employer would have paid to provide coverage to the employee under the employer's plan and will be used to offset the premium costs for the plan in which the employee is enrolled. Employers providing free choice vouchers will not be subject to penalties for employees that receive premium credits in the Exchange.
- Employers with more than 200 employees must automatically enroll employees into health insurance plans offered by the employer. Employees may opt out of coverage.

**Discrimination Based on Salary Prohibited  
-- Effective six months after enactment.**

Prohibits new group health plans from establishing any eligibility rules for health care coverage that have the effect of discriminating in favor of higher wage employees.