

Small Business



New Options for Health Insurance Coverage

The federal Patient Protection and Affordable Care Act (Affordable Care Act) was passed in 2010 to increase the number of Americans covered by health insurance.

With almost half of all Americans receiving their health insurance from their employer, small businesses play an important role in helping to cover more Californians. Most business owners understand the competitive advantages of providing quality health insurance to their employees. Offering health insurance helps businesses

find and keep the best employees and keeps them healthier, happier and more productive.

The Affordable Care Act created a number of provisions to encourage more employers to offer health insurance to their employees. Those provisions include making insurance

more affordable and easier to purchase. Covered California™ will open a new health insurance marketplace later this year. Small businesses will have excellent access to a range of health plan choices, all available on a single bill and managed on a single online platform.

Covered California's Small Business Health Options Program

Covered California's Small Business Health Options Program (SHOP) is developing a marketplace specifically designed for small businesses with 1 to 50 eligible employees.

This marketplace will allow employers to compare a number of qualified, competing health insurance plans from private insurance companies. Through Covered California's SHOP, small businesses will be able to offer different plans to their employees, something that few small employers have been able to do easily until now.

For businesses with 1 to 50 eligible employees, Covered California is



scheduled to conduct open enrollment starting in October 2013 for coverage that will begin Jan. 1, 2014. In 2015, Covered California will begin offering health insurance plans to employers with 100 or fewer eligible employees, for coverage effective Jan. 1, 2016. Employers can enroll in Covered California's SHOP

throughout the year. Unlike the Covered California marketplace for individuals, there is no designated open-enrollment period for businesses, giving employers the option to enroll either according to their current policy's renewal date or by another effective date of their choosing.

Tax Credits for Small Businesses

Small-business owners may qualify for a tax credit to help offset their contribution to their employees' premium. There are two phases of tax credits. Starting in 2010 and lasting through tax year 2013, there is a tax credit for businesses with fewer than 25 full-time-equivalent employees who are paid an average annual salary of less than \$50,000. During this first phase, qualifying employers can receive a tax credit of up to 35 percent of premium expenses (25 percent for nonprofits).

Starting in 2014, the maximum tax credit increases to 50 percent (35 percent for nonprofits) and is available for a total of two consecutive years. Generally, businesses with 10 or fewer full-time-equivalent employees and yearly wages averaging less than \$25,000 will qualify for the highest credits.

To qualify for any tax credit, employers must contribute at least 50 percent of employees' premium costs.

To learn more about tax credits, please consult our "Small Business Tax Credit" fact sheet, which is available at www.CoveredCA.com.

Advantages of Employer-Sponsored Health Plans

Employer-sponsored health insurance is valuable for a number of reasons. People who are insured are protected against uncertain and high medical expenses. They are more likely to receive needed and appropriate health care. Coverage can improve the health of workers, so employees with health insurance could be sick fewer days and are more likely to be productive workers.

Many small businesses choose to offer health insurance as an additional employee benefit to attract and retain quality workers. An employer-based health insurance plan can also be an attractive option because of the favorable tax treatment to both employers and employees, as employee premiums may be payroll deducted before taxes under Internal Revenue Service Section 125. Because most large



employers provide employer-sponsored health insurance, it also helps small businesses compete for talent and provides a valued benefit to promote employee loyalty and morale.

Health Plans For Employees

Through Covered California's SHOP, employees will have access to a range of health insurance plans based on the decisions employers make and the criteria they establish.

One of the decisions employers who choose to cover their employees will make is the level of coverage to offer. To help employers make that determination, starting in 2014 all health insurance plans will be classified into one of four metal tiers: Bronze, Silver, Gold and Platinum.

These new rankings allow employers to easily compare different health insurance plans within each metal tier. The rankings are designed so that as the metal category increases in value, so does the percent of medical expenses that a health insurance plan will cover. An employer can choose a plan with a higher premium but

lower costs at the time of medical care, like the Platinum or Gold plan. Or an employer can choose a plan with a lower premium but higher costs at the time of medical care, like the Silver or Bronze plan. The decision is up to each employer.

Employers also decide whether to offer dependent coverage, and contributing toward dependent premiums is optional. If employers elect not to offer dependent coverage, they can encourage their employees to contact Covered California to buy individual coverage for their family members.

There are many new and exciting health coverage options for small businesses. Covered California's SHOP can help employers discover the right ones for them and their employees.

Simplified Solutions, Greater Choice

Covered California's SHOP will help business owners provide affordable insurance to their employees and make administration easy.

Easy Comparisons. Covered California lets employers easily compare and contrast a variety of health insurance plans offered by private health insurance companies. Everything an employer needs to compare plans is available online, by phone or from a Covered California Certified Insurance Agent.

Predictable Costs. Regardless of which plans their employees choose, a business owner's premium contribution will remain constant, allowing the employer the ability to predict and manage the health insurance budget.

Simple Administration. Covered California's SHOP will make it easy for employers to pay for insurance. Even when employees choose different health plans, employers will issue a single payment to Covered California. Covered California will distribute the appropriate premium to each Covered California health insurance company that covers the employees.

Covered California will also make it easy for employers to continue working with their current insurance agent, provided the agent is trained and certified by Covered California. Only Covered California Certified Insurance Agents are permitted to counsel and provide employers with enrollment support.

Small-business owners should encourage their agent to get certified with Covered California, if they haven't already.

Employer Control. Employers decide whether and when to participate in Covered California. Employers choose the level of coverage, the amount of the contribution toward the employees' premium and, if dependent coverage is made available, any amount of the contribution toward dependent premiums. Once employers make these decisions, employees then choose the plan that best meets their needs, budget and lifestyle.

For more information, visit www.CoveredCA.com or call (877) 453-9198.



CoveredCA.com

Covered California is the new online "marketplace" that will make it simple and affordable to purchase quality health insurance and get financial assistance to help pay for it.