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Changes & Opportunities in 2014 for Small Employers under ACA

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The Affordable Care Act (ACA) brings about significant healthcare reform changes, as well as opportunities for small employers in 2014. Many of the reforms affect all employers who sponsor group health plans; however, the effect of some of the reforms is limited for smaller employers. Also, small employers will benefit from changes affecting tax credits and new coverage provided through the Small Business Health Options Program.

2014 Reforms

For plan years beginning on or after Jan. 1, 2014, certain existing reforms will be enhanced, and new reforms will apply to most plans. Annual limits will be prohibited on essential health benefits; previously, restricted limits were allowed. Waiting periods may not exceed 90 days. Plans may also not discriminate against a healthcare provider acting within the scope of his or her license; however, this provision does not require plans or insurers to contract with "any willing provider" or prohibit varying reimbursement rates. Preexisting condition exclusions will no longer be permitted; this is true regardless of the age of the participant. Non-grandfathered plans will be required to cover costs associated with certain approved clinical trials.

Insurance Changes

As a related matter, new limitations on premium rate setting will apply for insurers in the small group market (generally, 2 to 50 employees). New guaranteed-availability and guaranteed-renewability rules also apply. ACA provides for an overall limitation on out-of-pocket maximums and deductible limits for non-grandfathered plans. Although these requirements apply to all group health plans, the agencies interpret the deductible limit (in

2014, \$2,000 for individuals or \$4,000 for other plans) as applying only to plans and insurers in the small group market. With respect to out-of-pocket maximums (in 2014, \$6,350 for self-only coverage and \$12,700 for family coverage), although the requirement applies under ACA to all group health plans, the agencies have added a one-year safe harbor if a plan or insurer utilizes more than one service provider to administer benefits, subject to certain requirements.

Tax Credit

Since 2010, eligible small employers that offer health insurance coverage to their employees have been entitled to a tax credit of up to 35 percent of the nonelective (employer) contributions they make toward the premium cost (and up to 25 percent for tax-exempt eligible small employers). Some important changes become effective beginning with 2014 taxable years. First, the maximum credit amount increases from 35 percent to 50 percent of premiums paid (and from 25 percent to 35 percent for tax-exempt eligible small employers). Second, the coverage must be offered through a SHOP exchange (see below). Third, the credit can be claimed for only two consecutive years beginning on or after 2014.

Automatic Enrollment

ACA amends the Fair Labor Standards Act to require certain large employers to enroll automatically new full-time employees in one of the employer's health benefit plans (subject to any waiting period authorized by law) and continue the enrollment of current employees. However, the requirement only applies to employers that have more than 200 full-time employees. Also, the Department of Labor (DOL) has indicated that employers are not required to comply with this requirement until final regulations are issued and applicable. As of March 15, 2014, the DOL

had not issued the regulations.

Exchanges

One of the key features of ACA was the establishment by Jan. 1, 2014, of American Health Benefit Exchanges, which are now sometimes referred to as Marketplaces. The Exchanges perform a variety of functions required by ACA including certifying qualified health plans (QHPs), determining eligibility for enrollments in QHPs and for insurance affordability programs (e.g., advance payment of premium tax credits), and responding to customer requests for assistance.

One type of Exchange is the Small Business Health Options Program (SHOP). SHOPs are designed to allow small employers to offer their employees a choice of QHPs. The Department of Health and Human Services has provided for a federally facilitated SHOP in states, like Tennessee, that do not establish a state-based Exchange. Participation in SHOP is strictly voluntary for small employers. Beginning in 2014, however, purchasing employer-provided health coverage for employees through SHOP will be the only way for qualified employers to obtain the small business healthcare tax credit (described above).

Although ACA brings about significant changes for 2014 for most employers, small employers are generally less affected and will have some positive opportunities in 2014.



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