

Your Bottom Line: What Health Reform Means For Hawaii Small Businesses

Small Business Majority
September 2012

Opening remarks



Small Business Majority
Founder & CEO
John Arensmeyer



Congresswoman Mazie Hirono
Hawaii's 2nd District



- **Small business advocacy organization** – founded and run by small business owners
- **National** – offices in Washington, DC, Ohio, Colorado, Missouri, New York and California
- **Research and advocacy** on issues of top importance to small businesses (<100 employees) and the self-employed, including healthcare, access to credit and clean energy
- Very focused on **outreach to and education** of small business owners across the country

Small businesses struggling with costs



- ❗ Soaring **cost** of health insurance – especially for small businesses – Nationally, 54% of businesses <10 employees don't offer (*Kaiser study*)
- ❗ Nationally, 28% **self-employed**: not covered
- ❗ Small firms pay **18% more** than large businesses

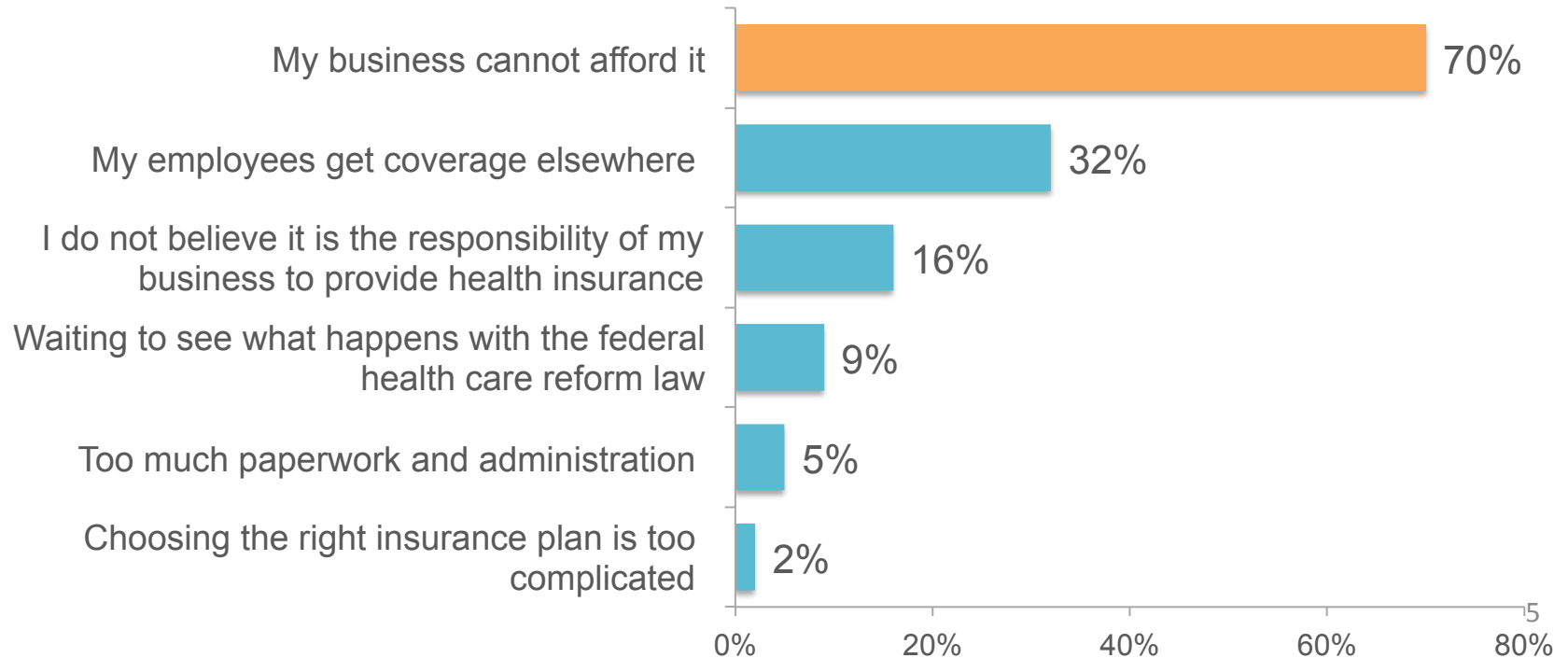
Our national study: Small business health costs would **more than double** by 2018 to **\$2.4 trillion** without healthcare reform

Small businesses struggling with costs



Our most recent opinion survey: Nationally, small employers who don't offer coverage say **lack of affordability** is the biggest reason (70%)

Which one or two of the following best describes the reasons you do not provide health benefits?

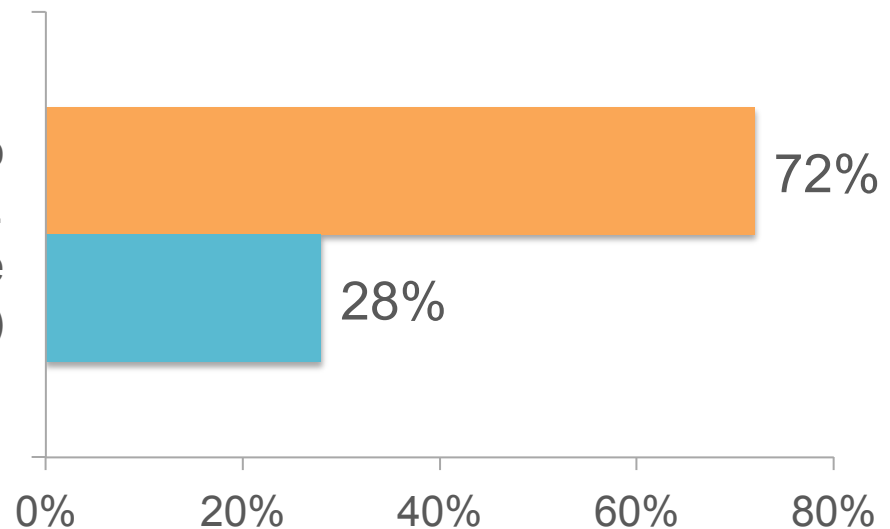


Small businesses struggling with costs



Another national opinion survey of ours found:
72% of those who do offer say they are struggling to do so

My business is really struggling to afford the cost of health coverage.
(Asked of those who do provide coverage)



Affordable Care Act (ACA)



- Builds on **our existing healthcare system**
- Aims to **rein in healthcare costs**; reduces deficit by over \$100B by 2020; by \$1.3T by 2030 (*Congressional Budget Office*)
- **Upheld** by the **U.S. Supreme Court** on **June 28, 2012**
- **Implementation** is primarily the responsibility of the states – essential to have small business input
- Important **immediate benefits** – other key provisions to be implemented over the next **4 years**
- Moving forward in Hawaii, the ACA will run alongside Hawaii's Prepaid Health Care Act

Hawaii Prepaid Health Care Act (PHCA)



- Requires employers to provide health insurance to employees who:
 - Work at least 20 hours a week and earn 86.67 times the current state minimum hourly wage a month, now \$628.36
- Coverage begins after 4 consecutive weeks of employment OR the earliest time coverage can be provided (typically 1st of the month)
- Standard for benefits
- **Employers** must cover at least 50% of premiums for full-time employees
- **Employees** that are full-time can't pay more than 1.5% of their salary and no more than 50% of the premium costs
 - Then, employers will pay the remaining balance
- Exemptions for coverage requirement: state government, seasonal employees, some individuals paid solely on commission, self employed

Hawaii Prepaid Health Care Act (PHCA)



- Congresswoman Hirono passed her amendment to protect PHCA through the House Education and Labor Committee and full House of Representatives; worked with Senators Akaka and Inouye to preserve PHCA in Senate version
 - A version of the amendment was included in the final law to keep PHCA strong alongside ACA
- Hawaii health stakeholders are working with HHS to make sure that PHCA can work alongside the ACA moving forward

ACA immediate consumer protections

- Insurers will no longer be able to deny coverage for patients with **pre-existing conditions** (2010 for kids, 2014 for adults)
 - In Hawaii, already in place for employer-sponsored plans, but will now benefit those in individual market
- Ban on **lifetime caps** that set lifetime limits on coverage within Essential Health Benefits (Sept. 23, 2010)
 - 462,000 Hawaii residents, including 115,000 children and 173,000 women
- Created **Prevention and Public Health** Fund to help Americans lead longer and more productive lives (2010)
 - \$7.1M in grants to Hawaii for wellness and disease prevention



ACA immediate consumer protections

- **Adult children** under 26 can stay on their parents' plan (Sept. 23, 2010)
 - As of December 2011, 6,000 Hawaii young adults have kept health insurance because of this provision
- First-dollar coverage for **preventive care** for all new plans (Sept. 23, 2010)
 - 54M Americans with private insurance now have preventive services without co-pays, including 240,000 Hawaii residents
- Increased access to care - **community health centers** (2011)
 - Increased funding to Hawaii's 74 existing community health centers and \$28M for development of new centers in underserved areas



Key provisions small businesses should know about



- Provides immediate **tax credits** for most small businesses
- Establishes a **competitive marketplace** for small businesses and the self-employed
- Provides access to a **Preexisting Condition Insurance Plan** for individuals and the self-employed
 - www.PCIP.gov



Small business tax credits



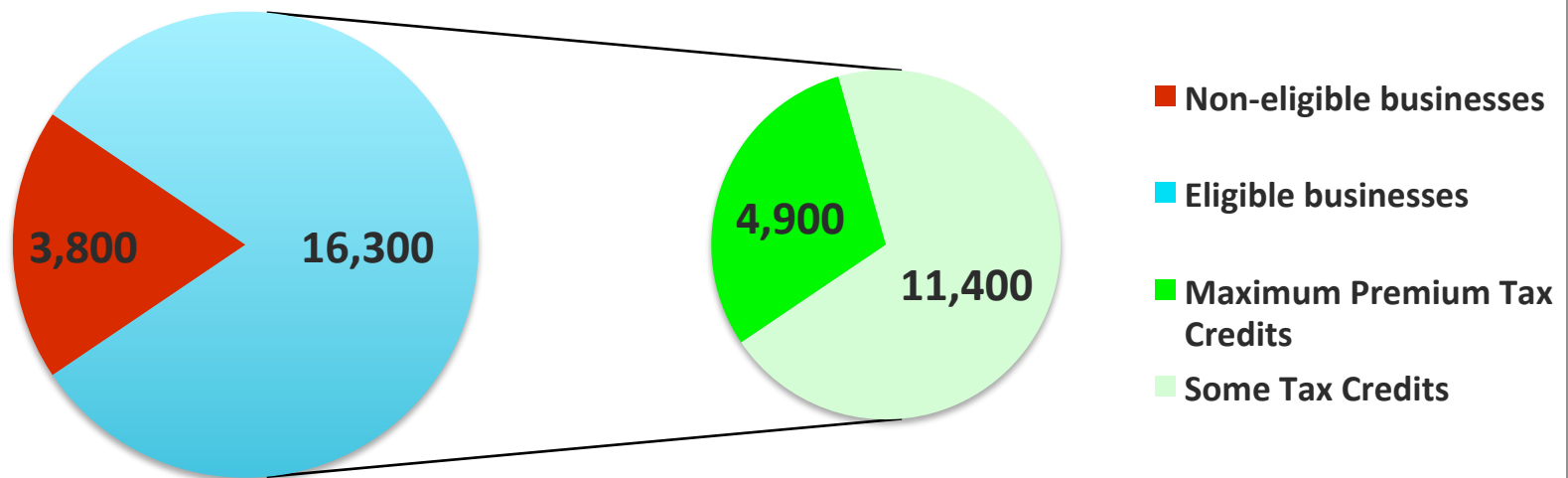
- Available to **businesses with employees**
- **Available now** (took effect tax year 2010)
- Which businesses are eligible?
 - Fewer than 25 full-time employees
 - Average annual wages <\$50,000
 - Employer pays at least 50% of the premium cost

Small business tax credits



Our report: 16,300 Hawaii small businesses are eligible (81% of all businesses); 4,900 businesses eligible for the maximum credit

Hawaii Small Businesses That Are Eligible for Premium Tax Credits for 2011



Small business tax credits



- Nationally, more than 2 in 5 small business owners who qualify for the credit are eligible for the maximum
- **19.3 million employees** work for businesses that can benefit from this credit
- Total value of the credit for tax year 2011: **\$15.4B**
 - *An average of \$800 in savings per employee*

- Tax credits on a **sliding scale**:
 - Up to 35% of premium expenses for 2010–13
 - Up to 50% of premium expenses for any two years beginning 2014
- Tax credits do not cover premium expenses of owners or their families
- Tax credits can not be claimed by the self-employed
- Still available as an amendment to your 2010 taxes or can be carried back as far as tax year 2010

How to claim the small business tax credit



- Small employers (businesses or tax-exempt) will use new [Form 8941](#), available on www.irs.gov
- Small businesses will include the amount of the credit as part of the general business credit on their income tax returns
- The credit can be reflected in determining estimated tax payments for a year
- The credit applies towards income tax, not employment tax



Medical Loss Ratio: “80/20 rule”



- Requires insurers to spend at least 80% of small groups’ premium expenses on medical claims and quality improvement
- Limits administrative and profit costs to 20% of premiums collected
- If carriers exceed this, they must make up for it by giving back rebates for the difference
- An estimated \$1.1B will be given back in 2012, HHS estimate
- Nationally:
 - Average rebate per enrollee in a small group plan: \$76
 - Total rebates: \$377M in the small group market, 28% of all small employer plans
- Hawaii:
 - Total rebates: \$195,000 in rebates to 26,900 residents with private insurance coverage

- Insurance companies are required **to publicly disclose and justify rate increases** of 10% or more. (Sept. 1, 2011)
- These Insurers' justification explanations will be posted on HealthCare.gov and each state's rate review program will give customers a chance to comment on the explanations
- **A state can approve or reject** an unreasonable or excessive rate increase, if it has its own rate review law
- If a state doesn't have a rate review program, or has a rate review program that is ineffective, the federal government will conduct rate reviews in that state
 - Hawaii has its own state rate review program

State health insurance exchanges: *coming in 2014*

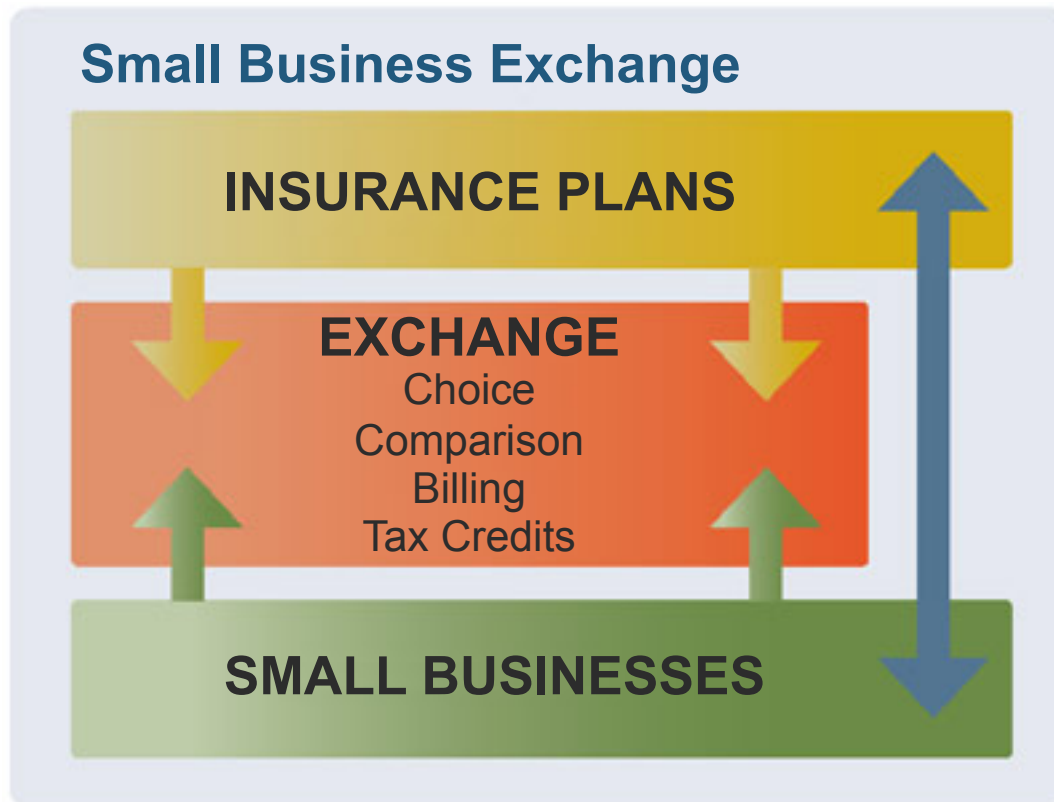


- Large **marketplace** to shop for health coverage
 - Purchasing pool to increase buying power and reduce administrative costs
 - Small businesses with fewer than 50 workers eligible
- **Private** insurance plans will **compete**
 - Improved competition will increase employer choice
 - Exchange can negotiate with insurers on behalf of small businesses to work toward higher quality and lower costs
- **National Perspective: RAND Study**
 - Exchanges will **expand coverage** to 85.9% of small business employees, up from 60.4% today, an increase of **10.5 million workers**

State health insurance exchange



- One-stop shop **web portal**



- Compare plans and get detailed information about price, quality and service
- Plans organized by category: bronze, silver, gold, platinum
- Calculator to compare costs across plan options
- Streamlined billing process

State insurance exchange



- Ensure that **more \$\$ go to medical care** – reduced administrative costs
- Other incentives for **administrative efficiency and modernization**
- Expanded coverage and individual responsibility requirement – **reduce hidden tax**
- States determine whether to keep the individual and small group markets **separate or merge them**
- Insurance will still be sold **outside exchange**
- **Members of Congress** must use the exchange

Hawaii exchange



- Steps toward fully implementing fully state-based exchange in 2014
 - Governor Neil Abercrombie signed in July 2011 (Act 205)
 - 15-member board appointed by the Governor and with the advice and consent of the Senate
 - Nonprofit structure
- Website is live now: <http://hawaiihealthconnector.com/>

Hawaii exchange



- Hawaii's state-based exchange, the Hawaii Health Connector, received a \$14.4M grant in November 2011 and \$61.8M grant in August 2012, among the first in the nation
- Next step will be to complete the exchange blueprint and submit application to HHS by **November 16, 2012** with information on plan to operate state-based exchange
- Enrollment period runs from **October 1, 2013** through **March 31, 2014**. Exchange will be fully operational **January 1, 2014**

Resources



- National HHS website: www.healthcare.gov
- Our website: www.smallbusinessmajority.org
 - “What’s in Healthcare Reform for Small Businesses”
 - Detailed FAQ
 - Tax credit calculator



- Hawaii Health Connector: www.hawaiihealthconnector.com
- Governor Abercrombie’s Hawaii Healthcare Project: www.hawaii.gov/healthcare-transformation

Join our network



Contact

- Emma Hollister, Network Coordinator
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Connect with us!



@SmIBizMajority



Small Business Majority

Ways to get involved:

- Receive a monthly newsletter
- Share your story for media requests
- Letters to the editor/Op-eds
- State events/Roundtables
- Fly-ins
- Webinars for business organizations

Thank you!



Congresswoman
Mazie K. Hirono

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