



Health Care Reform and Your Business

Moderated By:

Christine Koronides

Program Analyst, SBA Office of Capital Access

Presentations By:

Mike Hash

Deputy Director, White House Office of Health Reform

Chris Wagner

Commissioner, IRS Small Business and Self Employed Division

Closing Remarks By:

Kate Leone

Senior Health Counsel, U.S. Senator Harry Reid

Bob Greenawalt

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Health Care Reform Small Business Issues

- **Healthcare is the number one concern** for small business owners.
- **Less than half of small employers** with three to nine workers offer health coverage.
- **Thirteen (13) million of America's uninsured workers** are employed by businesses with fewer than 100 employees.
- Small businesses currently pay as much as **18 percent more for the same coverage** as big companies under the current system.
- Small businesses **want to provide healthcare, but can't.**
- **Entrepreneurs who want to strike out on their own are locked** into current jobs because of healthcare concerns.



Reform Includes Key Changes

- **Reduces cost**
 - Immediate Tax Benefits
 - Insurance reforms that end price discrimination
 - Reduces premiums in small group market

- **Access to Better Options**
 - State-based Healthcare Exchanges
 - Creates competition and offers choices



Further Information From SBA

Health Reform Information on SBA's website

<http://www.sba.gov/healthcarereform/index.html>

Healthcare Questions

Christine Koronides
Senior Policy Advisor
Christine.koronides@sba.gov
(202) 205-7119

Contact your SBA District Office

400 South 4th Street, Suite 250
Las Vegas, NV 89101
(702) 388-6611

The Affordable Care Act

June 10, 2010

Overview of the Affordable Care Act

- *Holds insurance companies accountable*
- *New private choices to individuals and small businesses*
- *Tax credits to small businesses and individuals*
- *Provides coverage to 32 million – 94% of Americans*
- *Reduces the deficit by more than \$100 billion in the first decade and \$1 trillion over the second decade*

Affordable Care Act: Immediate Benefits

FOR SMALL BUSINESSES

- *SMALL BUSINESS TAX CREDITS—In 2010, provides a tax credit for qualified small businesses to help them afford insurance coverage for their workers. About 4 million small business could qualify for the tax credit.*
- **State Exchange**— In 2014, small businesses will be able to purchase coverage in a large pool that leverages their buying power.

FOR EARLY RETIREES

- *REINSURANCE – In 2010, creates a temporary re-insurance program for employer health plans providing coverage for early retirees, helping to protect coverage while reducing premiums for employers and early retirees age 55-64.*

FOR UNINSURED WITH PRE-EXISTING CONDITIONS

- *TEMPORARY HIGH RISK POOL: In 2010, provides uninsured Americans with pre-existing conditions access to coverage. The temporary high-risk pool will serve as a bridge to the new health insurance Exchanges in 2014 , at which point insurance companies will no longer be able to deny coverage based on pre-existing conditions.*

Affordable Care Act: Immediate Benefits (Cont.)

FOR FAMILIES

- *EXTENDING COVERAGE FOR YOUNG PEOPLE UP TO 26TH BIRTHDAY THROUGH PARENTS' INSURANCE – In 2010, requires plans to allow young people to remain on their parents' insurance policy until their 26th birthday.*
- *NO DISCRIMINATION AGAINST CHILDREN WITH PRE-EXISTING CONDITIONS – In 2010, prohibits all employer plans and new plans in the individual market from denying coverage to children with pre-existing conditions.*

Affordable Care Act: Immediate Benefits (Cont.)

FOR CONSUMERS

- *NO RESCISSIONS—In 2010, bans all health plans from dropping people from coverage when they get sick.*
- *NO LIFETIME LIMITS ON COVERAGE—In 2010, prohibits all health plans from placing lifetime caps on coverage.*
- *TIGHTLY REGULATES ANNUAL LIMITS ON COVERAGE—In 2010, restricts the use of annual limits by all employer plans and new plans in the individual market, to ensure access to needed care.*

Affordable Care Act: Immediate Benefits Cont.

HOLDING INSURANCE COMPANIES ACCOUNTABLE

- **Bringing Down Health Care Premiums.** *Health plans must meet standards for the percent of your premium dollars used for administrative costs and overhead. Plans that spend too much on overhead must provide rebates to consumers.*
- **Holding Insurance Companies Accountable for Unreasonable Rate Hikes.** *States that require insurance companies to justify and disclose their premium increases will be eligible for new grants and insurance companies with excessive or unjustified premium exchanges may not be able to participate in the new health insurance Exchanges in 2014.*
- **Appealing Insurance Company Decisions.** *Consumers will have an easy way to appeal to their insurance company and to an outside independent entity if the company denies coverage or a claim.*

2014: New Insurance Markets for Small Businesses and Individuals: State Exchanges

ADDITIONAL REFORMS TO INSURANCE MARKET: PROTECTING CONSUMERS

- *Implements strong health insurance reforms that prohibit insurance companies from refusing to sell coverage or renew policies based on an individual's health status.*
- *Insurers can no longer exclude coverage for treatments based on pre-existing health conditions.*
- *Limits the ability of insurance companies to charge higher rates due to heath status, gender, or other factors. Premiums can vary only by age (no more than 3:1), geography, family size, and tobacco use.*
- *Prohibits new plans in the individual market and all employer plans from imposing annual limits on the amount of coverage an individual may*

2014: Tax Credits to Purchase Coverage

MAKING CARE MORE AFFORDABLE

- *Tax credits to make it easier for Americans to afford insurance will become available for people with incomes above 100 percent and below 400 percent of poverty (\$88,000 for a family of four in 2010) who are not eligible for or offered other qualified coverage. Individuals and families at these income levels may also be eligible for reduced cost-sharing (e.g. copayments, coinsurance, and deductibles).*

Health Care Reform and Your Business: Affordable Care Act Tax Provisions

**Christopher Wagner, Commissioner
Small Business/Self-Employed Division
Internal Revenue Service**

IRS Role in Health Reform

- *IRS is responsible for administering the tax provisions included in the Affordable Care Act.*
- *While some of the tax provisions go into effect immediately, others will be implemented over the next several years.*
- *The Department of Health and Human Services is the lead agency on insurance market reforms and other health care provisions.*



Tax Provisions of Interest to Small Businesses That Are Effective in 2010

- *Small Business Health Care Tax Credit*
- *Therapeutic Discovery Tax Credit for Small Firms*
- *Favorable Tax Treatment for Health Coverage for Older Children*

Small Business Health Care Tax Credit

Eligibility rules:

- *Providing health care coverage*
- *Firm size*
- *Average annual wage*
- *Both taxable (for profit) and tax-exempt firms qualify*

Credit is effective this year

Small Business Health Care Tax Credit

Amount of Credit:

- *Maximum amount*
- *Phase-out*



Small Business Health Care Tax Credit

- *Informational postcards sent to more than 4 million small employers outlining eligibility requirements*
- *Eligible businesses and non-profits claim the credit starting with the 2010 income tax return they file in 2011*
- *Visit IRS.gov for detailed information*

Qualified Therapeutic Discovery Project Credit

Program provides tax credits and grants to small firms engaged in biomedical research with potential to:

- produce new and cost-saving therapies*
- support job creation*
- increase U.S. competitiveness in the health care field*

The credit or grant covers up to 50 percent of the cost of qualifying biomedical research, up to a maximum credit of \$5 million per firm (taxpayer) and \$1 billion overall.

Favorable Tax Treatment for Health Coverage for Older Children

- *Coverage extended to employees' children under age 27 is immediately tax-free*
- *Employers do not need to estimate or report incremental value of coverage*
- *Applies to various workplace and retiree health plans and to self-employed individuals who qualify for the self-employed health insurance deduction*
- *Employers may permit employees to begin making pre-tax contributions under a cafeteria plan to provide coverage for children under age 27*

Tax Law Changes in Future Years

- *IRS will consult extensively with the small business community as it implements other important tax law changes included in the legislation that come into effect over several years.*
- *Feedback will be solicited formally, through requests for comment, and informally through meetings around the country and interactive sessions like this one.*
- *IRS will appear at over 1,000 small business events this year alone.*
- *Visit [IRS.gov](https://www.irs.gov) and sign up for e-mail alerts*

Additional Resources

You can always find the latest updates on IRS.gov:

- *Questions and answers*
- *Fact sheets*
- *Scenarios*
- *Legal guidance, and more*





SENATOR HARRY REID, MAJORITY LEADER
**FIGHTING FOR BETTER
HEALTH CARE**



<http://reid.senate.gov/>

<http://reid.senate.gov/issues/responsiblehealthcarereform.cfm>

- *Mary Conelly, State Director*
 - *mary_conelly@reid.senate.gov*
- *Rob Elliott, Southern Nevada Director*
 - *robert_elliott@reid.senate.gov*
- *Kate Leone, Senior Health Counsel*
 - *kate_leone@reid.senate.gov*
- *Bob Greenawalt, Senior Tax Advisor*
 - *bob_greenawalt@reid.senate.gov*
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 - *mark_wetjen@reid.senate.gov*

American Jobs and Closing Tax Loopholes Act

Promoting Jobs

- *Extends Recovery Act increases in loan limits and reduced fees for SBA loans.*
- *Continues greater tax write-offs for retail and restaurant real property investments.*
- *Extends Build America Bonds for two years*
- *Corrects Recovery Zone bond formula*
- *Extends R&D tax credit*

Individual Tax Relief

- *Extends deduction for state and local sales taxes*
- *Continues standard deduction for real property taxes*
- *Extends tuition deduction*

Small Business Jobs Package

Senator Reid intends to move to a small business bill in coming days to enable small businesses to have greater access to capital so they can continue to invest and grow. The primary components of this package would include:

- **Tax Cuts for Small Businesses** – *these cuts include suspending capital gains taxes on those who sell their small-business-stock holdings and further expansion of the 179 business expensing provision.*
- **Enhanced Lending Programs** – *the package would permanently raise loan limits for the SBA's 7a and 504 lending programs, allow small firms to refinance commercial real estate loans through the 504 program, and devote resources to both state and locally run capital programs as well as small-business lending by banks.*
- **Export Promotion** – *the package would provide resources to states to develop export-promotion programs to benefit small businesses, and authorize appropriate staffing at the SBA and other agencies to assist those small businesses seeking to sell their goods and services in foreign markets.*