



The Patient Protection and Affordable Care Act is currently being implemented. The following table lists some of the provisions affecting small businesses that take effect in 2014.

### **Patient Protection and Affordable Care Act Provisions Effective in 2014**

<b>Provision Law, Section (Effective Date)</b>	<b>Description</b>	<b>Consequences for Small Businesses</b>
<p><b>Employer Mandate</b> P.L. No. 111-148, Sec. 1513 (Statutory effective date: January 1, 2014; delayed until January 1, 2015 by the Department of the Treasury in a blog post on July 2, 2013)</p>	<p>Requires certain employers with more than 50 full-time equivalent workers who do not offer health insurance to pay a \$2,000 per employee penalty (excluding the first 30) for full-time workers if at least one employee receives a premium subsidy through the exchanges. Additionally, employers who offer coverage that is not adequate and/or affordable, but have at least one full-time employee who enters the exchange and receives a premium subsidy, will pay the lesser of \$3,000 for each employee receiving a premium subsidy or \$2,000 for each full-time employee (excluding the first 30). Current regulations provide up to 13 months to determine full-time status of variable hour and seasonal workers. Penalty amounts are for 2014 [now delayed until 2015] and are indexed for inflation in future years.</p>	<p>To avoid penalties, small businesses with more than 50 full-time equivalent employees must offer qualifying insurance to their employees, ensure that insurance is adequate so that full-time employees who choose to purchase insurance through the exchanges are not eligible for a premium credit (excluding the first 30), or reduce their employee count to fewer than 50 full-time employees.</p>
<p><b>Individual Mandate</b> P.L. No. 111-148, Sec. 1501 (January 1, 2014)</p>	<p>Requires most U.S. citizens and legal residents to have a qualifying level of health insurance through an employer-sponsored health plan, Medicare, Medicaid, CHIP, or another plan offered in the individual market or exchanges, or pay a penalty. Penalty is based on income. There are exceptions based on hardship and religion.</p>	<p>Owners and employees of small businesses will be required to maintain insurance coverage, either through a plan offered by an employer, the individual market, a Small Business Health Options Program (SHOP), or a broader exchange.</p>

<b>Provision</b> Law, Section (Effective Date)	<b>Description</b>	<b>Consequences for Small            Businesses</b>
<b>Annual Taxes on Health Insurance Sector</b> P.L. No. 111-148, Sec. 9010 (January 14, 2014)	Health insurers (with net premiums of \$25 million or more) will pay a new annual tax based on the amount of premiums collected. The tax varies depending on market share. Some nonprofit health insurers and those selling Medicare supplemental plans are excluded.	The cost of higher fees to insurance companies is likely to be passed on to their customers, including small business owners and their employees, in the form of higher premiums.
<b>No Annual Limits on Essential Health Benefits</b> P.L. No. 111-148, Sec. 1001 (January 1, 2014)	Insurers must eliminate annual dollar limits on essential health benefits.	Currently, plans may impose annual limits of no less than \$2 million on the essential health benefits. The removal of the limitation may limit insurers' revenue, and may cause some, particularly small insurers, to go out of business.
<b>Essential Health Benefits Package</b> P.L. No. 111-148, Sec. 1302 (January 1, 2014)	Mandates that all non-grandfathered insurance plans offered in the individual and small group markets offer a minimum health benefits package (essential health benefits package).	Depending on the scope of benefits that are required, this may increase the cost of insurance that small business owners must offer. The mandate may also increase the cost of doing business for small insurers.
<b>Health Insurance Exchanges</b> P.L. No. 111-148, Sec. 1311 & Sec. 1321 (January 1, 2014)	All states must have an American Health Benefit Exchanges and a Small Business Health Option Program (SHOP) exchange from which individuals and small businesses with 100 or fewer employees (or 50 or fewer employees, at state option) may purchase health insurance. If states choose not to establish exchanges, or are not approved to offer an exchange, then the federal government will establish them.	Before 2016, small businesses with 100 or fewer employees (or 50 or fewer employees, at state option) may purchase coverage for their employees through a SHOP exchange. Beginning in 2016, small businesses with 100 or fewer employees will be able to purchase coverage through a SHOP exchange. Starting in 2017, a state may also allow businesses with more than 100 employees to purchase coverage through a SHOP exchange.

<b>Provision</b> Law, Section (Effective Date)	<b>Description</b>	<b>Consequences for Small            Businesses</b>
<b>Expanded Medicaid Coverage</b> P.L. No. 111-148, Sec. 2001 as modified by Sec. 10201 (January 1, 2014)	Beginning in 2014 (or sooner at state option), the ACA expands Medicaid to include a new mandatory eligibility group: all adults under age 65 with income up to 133% of the federal poverty level (FPL) (effectively 138% FPL with the modified adjusted gross income 5% FPL income disregard). On June 28, 2012, the United States Supreme Court issued its decision in National Federation of Independent Business v. Sebelius, finding that the federal government cannot terminate current Medicaid program federal matching funds if a state refuses to implement the Medicaid expansion required by ACA. If a state accepts the new ACA Medicaid expansion funds, it must abide by the new expansion coverage rules, but, based on the Court's opinion, it appears that a state can refuse to participate in the expansion without losing any of its current federal Medicaid matching funds.	Higher costs may result for small and solo practices with physicians specializing in family medicine, general internal medicine, or pediatric medicine who accept a higher number of patients enrolled in Medicaid after 2014, when the temporary provision requiring Medicaid reimbursements to equal those of Medicare expires.
<b>Availability of Insurance</b> P.L. No. 111-148, Sec. 1201 (January 1, 2014)	Non-grandfathered plans in the individual and group markets (except self-insured plans) must accept every individual or business applying for coverage, regardless of health history, as long as the applicant agrees to the terms and conditions of the offer. Additionally, these plans are required to renew coverage at the option of individual or business.	Small insurance companies will be required to accept every individual and employer who applies, which may increase the cost of providing coverage. Higher insurance costs for small business owners and their employees may result.

<b>Provision</b> Law, Section (Effective Date)	<b>Description</b>	<b>Consequences for Small            Businesses</b>
<b>Small Business Health Care Tax Credit</b> P.L. No. 111-148, Sec. 1421 (January 1, 2014)	Provides an increase in the full tax credit for certain qualifying small businesses providing health insurance from 35% to 50% of the premium contribution for policies purchased through an exchange only. Businesses would be required to contribute 50% of the amount of employees' premiums. The full tax credit applies only to small businesses with 10 or fewer employees and an average wage of \$25,000 or less.	Some qualifying small businesses may receive a credit on the amount of premiums paid for insurance policies purchased through the exchanges. In a May, 2012 report, the Government Accountability Office found few small employers claimed the credit, partly because of its complexity. A link to the report is <a href="#">here</a> .
<b>Wellness Programs</b> P.L. No. 111-148, Sec. 1302 (January 1, 2014)	Allows employers to offer up to 30% (and possibly up to 50%, at the decision of the Secretaries of Labor, Health and Human Services, and Treasury) discounts to employees on the total cost of health insurance in exchange for participation in a wellness program.	Small businesses may offer premium incentives or other statutorily-approved rewards or discounts to employees who participate.

Prepared by Small Business Committee Republican staff.

Sources:

The Henry J. Kaiser Family Foundation, Health Reform Source, Implementation Timeline, 2012.  
 The Commonwealth Fund, Health Reform Resource Center, Find Health Reform Provisions Tool, 2012.  
 U.S. House of Representatives Committee on Ways and Means, Timeline of Major Provisions in the Democrats' Health Care Package, 2010.