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The Health Care Reform Legislation and Your Business

Timelines and Implications of
the New Law for Business Owners

Updated as of May 2011



The Health Care Reform Legislation and You

The *Patient Protection and Affordable Care Act* and the *Health Care and Education Reconciliation Act of 2010* (collectively referred to as “2010 health care reform legislation”) were signed into law March 2010. The primary purpose of the legislation is to extend health care to millions of uninsured Americans.

To prepare for the short- and long-term impacts of this health care legislation, you will want to proactively manage changes as they occur.

This overview highlights provisions of the new legislation that may already be in effect, or are planned to go into effect over the coming years, to help you understand these changes and the potential impacts to you, your organization and your employees. These changes may affect the health care options you provide your employees, in some cases giving you more flexibility than you’ve had before. You can also take advantage of tax credits that may be available to you, and you’ll want to ensure that you are in compliance with this legislation to minimize your risk of penalties.

As is often the case with long-range legislation, however, some of the health care reform provisions will likely be modified or undergo changes before they take effect, and new provisions will undoubtedly emerge, too.

Your CPA will help guide you through this legislation. For more information on upcoming provisions, contact your CPA — they look forward to hearing from you!



This overview highlights provisions of the new legislation that may already be in effect or are planned to go into effect over the coming years, in order to help you understand the potential impact of these changes on you.

Large Employer Health Care Reform Provisions

The 2010 health care reform legislation contains provisions that will have a significant impact on your business in the coming years. Some highlights of these provisions include offering all employees the same benefits and no waiting periods longer than 90 days for offering employees health insurance coverage.

Large Employers 2010 and Beyond			
PROVISION	EMPLOYER SIZE	EFFECTIVE DATE	WHAT THIS MEANS FOR YOUR BUSINESS
Grandfathered: Current Health Coverage: Employers can maintain current health coverage for individuals already enrolled in plans and for subsequently enrolled family members and new hires, as long as the plan allowed for dependent family coverage on March 23, 2010.	All	2010	Some areas of the coverage you already provide to your employees may remain unchanged, while other areas may need to be implemented to meet the requirements of the legislation. Contact your CPA to determine how your health care offerings may need to be revised. Contact your benefits provider for information on this provision so you can decide the best options for your company.
Grandfathered: Collective Bargaining: Collectively bargained agreements are grandfathered until the date on which the last of the agreements relating to the grandfathered coverage terminates.	All	2010	Contact your CPA to help determine if you have collectively bargained health care agreements and when their coverage terminates. Contact your benefits provider for information on this provision so you can decide the best options for your company.
Grandfathered: Plan Requirements: Grandfathered plans still are subject to the following provisions: pre-existing conditions, dependent coverage, elimination of coverage rescissions, coverage limits and excessive waiting periods.	All	2010	Even grandfathered plans will need to provide certain new aspects of the legislation. Contact your CPA for help understanding and implementing the required provisions, as discussed throughout this table. Contact your benefits provider for information on this provision so you can decide the best options for your company.
Children Up to the Age of 19 With Pre-existing Conditions: Employer-sponsored plans cannot exclude coverage for children younger than age 19 with pre-existing conditions.	All	2010	As areas of the legislation become effective, the insurance pricing structure will likely change. Contact your CPA to assist with the cost/benefit analysis of keeping your current provider. Contact your benefits provider to offer you accurate eligibility reporting to meet this requirement.
Dependent Children Coverage Expanded: Employer-sponsored plans providing dependent coverage must continue to cover adult children (up to age 26) of employees. (Grandfathered plans are not required to provide coverage to a dependent if they have access to employer-sponsored coverage until 2014.)	All	2010	As areas of the legislation become effective, the insurance pricing structure will likely change. Contact your CPA to assist with the cost/benefit analysis of keeping your current provider. Contact your benefits provider to help verify if current dependents can remain on a policy until renewal or to help enroll new dependents.
Uniform Employee Benefits: Employer-sponsored plans will supply all employees the same benefits, as increased benefits cannot be offered to executives or equity owners without providing the same coverage for all employees (Nondiscrimination does not apply to fully insured grandfathered plans).	All	2010	The purpose of this provision is to allow all employees access to the best benefits. Contact your CPA to help determine a health insurance offering that is attractive to management talent but affordable enough for you to offer to all employees. Contact your benefits provider to help determine who is considered highly compensated and to provide discrimination testing.
Annual Dollar Limits: Annual dollar limits on essential benefits will be restricted beginning in 2010 and eliminated in 2014.	All	2010-2014	This provision is intended to ensure no individual is "cut off" from needed health coverage. To implement this provision, insurance pricing structure will likely change. Contact your CPA to assist with the cost/benefit analysis of keeping your current provider. Contact your benefits provider for information on this provision so you can decide the best options for your company.

Large Employers 2010 and Beyond

PROVISION	EMPLOYER SIZE	EFFECTIVE DATE	WHAT THIS MEANS FOR YOUR BUSINESS
<p>Preventive Care Coverage: Employer-sponsored plans must provide first-dollar coverage for certain preventive care without charging a deductible, co-pays or co-insurance. This provision does not apply to fully insured grandfathered plans.</p>	All	2011	As areas of the legislation become effective, the insurance pricing structure will likely change. Contact your CPA to assist with the cost/benefit analysis of keeping your current provider. Contact your benefits provider for information on this provision so you can decide the best options for your company.
<p>W-2 Reporting Requirement: Employers must report the aggregate value of health coverage benefits on employees' Forms W-2. There are certain amounts that are not required to be included (refer to the IRS for more details).</p>	Mandatory for those filing 250 or more Forms W-2	2011 (for tax year 2012, for employers filing 250 or more Forms W-2)	This reporting requirement is for information-gathering purposes only and does not represent a new tax to be imposed on your business or employees. Contact your CPA to help you determine the additional documentation procedures that may be necessary to implement. Contact your benefits provider to assist you with the total value of premiums to be included on W-2s.
<p>Free Rider Provisions: For employers with 50 or more employees that do not offer insurance and where one or more employees receive a subsidy through the state-based health insurance exchange program, the employer must pay a \$2,000 penalty per full-time employee. For employers with 50 or more employees that offer insurance but where at least one or more employee receives subsidy, the employer must pay the lesser of \$2,000 per full-time employee or \$3,000 per full-time employee receiving a premium credit.</p>	50 or more employees	2014	This penalty is computed annually. When calculating the penalty amount owed, employers may subtract the first 30 full-time employees for the no coverage penalty, or subtract the first 30 full-time employees when determining the \$2,000 per employee portion of the insufficient coverage penalty. Depending on your number of employees, the fees for not providing coverage can be significant. Contact your benefits provider for help with a cost/benefit analysis of providing coverage to all employees, as well as to review your employee benefit plan to help ensure that your plans offered are qualified, as defined.
<p>Waiting Period Limits: Businesses cannot have a waiting period longer than 90 days for providing employees coverage.</p>	All	2014	Contact your benefits provider to assist you with accurate eligibility reporting necessary to meet this requirement.
<p>Lifetime Limits: Employer-sponsored plans cannot have lifetime dollar limits on essential benefits.</p>	All	2014	This provision is intended to ensure no individual is "cut off" from needed health coverage. To implement this provision, insurance pricing structure will likely change. Contact your CPA to assist with the cost/benefit analysis of keeping your current provider. Contact your benefits provider for information on this provision so you can decide the best options for your company.

Small Employer Health Care Reform Provisions

The 2010 health care reform legislation contains provisions that will have a significant impact on small employers in the coming years. Some highlights of these provisions include tax credits for employer contributions to the health insurance premium costs of employees and expansion of dependent children coverage.

Small Employers 2010 and Beyond			
PROVISION	EMPLOYER SIZE	EFFECTIVE DATE	WHAT THIS MEANS FOR YOUR BUSINESS
Grandfathered: Current Health Coverage: Employers can maintain current health coverage for individuals already enrolled in plans and for subsequently enrolled family members and new hires, as long as the plan allowed for dependent family coverage on March 23, 2010.	All	2010	Some areas of the coverage you already provide to your employees may remain unchanged, while other areas may need to be implemented to meet the requirements of the legislation. Contact your CPA to determine how your health care offerings may need to be revised. Contact your benefits provider for information on this provision so you can decide the best options for your company.
Grandfathered: Collective Bargaining: Collectively bargained agreements are grandfathered until the date on which the last of the agreements relating to the grandfathered coverage terminates.	All	2010	Contact your CPA to help determine if you have collectively bargained health care agreements and when their coverage terminates. Contact your benefits provider for information on this provision so you can decide the best options for your company.
Grandfathered: Plan Requirements: Grandfathered plans still are subject to the following provisions: pre-existing conditions, dependent coverage, elimination of coverage rescissions, coverage limits and excessive waiting periods.	All	2010	Even grandfathered plans will need to provide certain new aspects of the legislation. Contact your CPA for help understanding and implementing the required provisions, as discussed throughout this table. Contact your benefits provider for information on this provision so you can decide the best options for your company.
Tax Credit: Small employers (fewer than 11 employees and average wages of \$25,000 or less) may be eligible to receive a 2010 tax credit of up to 35% (non-tax-exempt) and 25% (tax-exempt) for the cost of health insurance provided to employees. The employer must contribute at least 50% of the single coverage health insurance premium cost for coverage of participating employees.	Fewer than 11 employees	2010	Contributing toward your employees' health insurance costs can help you attract and retain top talent. And this tax credit can help you afford to offer that benefit. Contact your CPA to help weigh the costs and benefits of providing the insurance premium coverage. Contact your benefits provider and payroll provider to help you obtain information (reporting hours, wages, premiums paid and contributions made) needed to apply for the small business tax credit.
Tax Credit: Businesses with fewer than 25 employees and less than \$50,000 annual wage may get a partial tax credit (sliding scale). The employer must contribute at least 50% of the single coverage health insurance premium cost for coverage of participating employees.	Fewer than 25 employees	2010	Contributing toward your employees' health insurance costs can help you attract and retain top talent. And this tax credit can help you afford to offer that benefit. Contact your CPA to help weigh the costs and benefits of providing the insurance premium coverage. Contact your benefits provider and payroll provider to help you obtain information (reporting hours, wages, premiums paid and contributions made) needed to apply for the small business tax credit.
Children Up to Age 19 with Pre-existing Conditions: Employer-sponsored plans cannot exclude coverage for children younger than age 19 with pre-existing conditions.	All	2010	As areas of the legislation become effective, insurance pricing structure will likely change. Contact your CPA to assist with the cost/benefit analysis of keeping your current provider. Contact your benefits provider for information and education on this requirement.
Dependent Children Coverage Expanded: Employer-sponsored plans providing dependent coverage must continue to cover adult children up to age 26. (Grandfathered plans are not required to provide coverage to a dependent if they have access to employer-sponsored coverage.)	All	2010	As areas of the legislation become effective, the insurance pricing structure will likely change. Contact your CPA to assist with the cost/benefit analysis of keeping your current provider. Contact your benefits provider to help verify if current dependents can remain on a policy until renewal or to help enroll new dependents.
Uniform Employee Benefits: Employer-sponsored plans will supply all employees the same benefits and cannot discriminate in terms of eligibility or benefits for highly compensated individuals, executives or equity owners. (Non-discrimination does not apply to fully insured grandfathered plans.)	All	2010	This purpose of this provision is to allow all employees access to the best benefits. Contact your CPA to help determine a health insurance offering that is attractive to management talent but affordable enough for you to offer to all employees. Contact your benefits provider for information and to help determine if a plan is discriminatory.

Small Employers 2010 and Beyond

PROVISION	EMPLOYER SIZE	EFFECTIVE DATE	WHAT THIS MEANS FOR YOUR BUSINESS
<p>Annual Dollar Limits: Annual dollar limits on essential benefits will be restricted beginning in 2010 and eliminated in 2014.</p>	All	2010-2014	This provision is intended to ensure no individual is "cut off" from needed health coverage. To implement this provision, insurance pricing structure will likely change. Contact your CPA to assist with the cost/benefit analysis of keeping your current provider. Contact your benefits provider for information on this provision so you can decide the best options for your company.
<p>Preventive Care Coverage: Employer-sponsored plans must provide first-dollar coverage for certain preventive care without charging a deductible, co-pays or co-insurance. (This provision does not apply to fully insured grandfathered plans.)</p>	All	2011	As areas of the legislation become effective, the insurance pricing structure will likely change. Contact your CPA to assist with the cost/benefit analysis of keeping your current provider. Contact your benefits provider for information on this provision so you can decide the best options for your company.
<p>W-2 Reporting: Employers can report the aggregate value of health coverage benefits, excluding salary reductions under medical FSAs, on employees' Forms W-2.</p>	All	2011 (optional)	This reporting is for information gathering purposes only and does not represent a new tax to be imposed on your business or employees. Contact your CPA to help you determine the additional documentation procedures that may be necessary to implement in your payroll department. Contact your benefits provider to assist you with the total value of premiums to be included on W-2s.
<p>Tax Credit Increase: The 35% (non-tax-exempt) and 25% (tax-exempt) tax credit effective in 2010 may increase to 50% (non-tax-exempt) and 35% (tax-exempt). Employers with 10 or fewer employees and average wages of \$25,000 or less will receive a credit of 100%. The credit is limited to 2 consecutive years.</p>	Fewer than 25 employees	2014	Contributing toward your employees' health insurance costs can help you attract and retain top talent. And this tax credit can help you afford to offer that benefit. Contact your CPA to help weigh the costs and benefits of providing the insurance premium coverage. Contact your benefits provider and payroll provider to help you obtain information (reporting hours, wages, premiums paid and contributions made) needed to apply for the small business tax credit.
<p>Health Insurance Exchange: All states must establish an exchange to facilitate the purchase of qualified health plans and establish a Small Business Health Options Program (SHOP) to assist employers with fewer than 100 employees in obtaining group coverage. A Consumer Operated and Oriented Plan (CO-OP) program will be created to facilitate the creation of not-for-profit, member-run health insurance companies.</p>	Fewer than 100 employees	2014	Contact your benefits provider to help you compare the plans offered by the exchanges and co-ops, as well as educate you on the options so you can make the best decision for your business.
<p>Waiting Period Limits: Businesses cannot have a waiting period longer than 90 days for providing employees coverage.</p>	All	2014	Contact your benefits provider to assist you with accurate eligibility reporting necessary to meet this requirement.
<p>Lifetime Limits: Employer-sponsored plans cannot have lifetime dollar limits on essential benefits.</p>	All	2014	This provision is intended to ensure no individual is "cut off" from needed health coverage. To implement this provision, insurance pricing structure will likely change. Contact your CPA to assist with the cost/benefit analysis of keeping your current provider. Contact your benefits provider for information and education on this requirement.

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