

Stu's View

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Affordable Health Care Act-What Small Businesses Need to Know!

August 2013

Reducing the number of Americans without health care coverage is a monumental task. Under the Affordable Health Care Act that's exactly what the federal government intends to do. To better understand repercussions to small employers, we recently met with Kevin Roller of Roller Consulting, an expert in the area. Here are the highlights "to-date" (a moving target).

As a small business owner there are a few considerations that can be pro-actively addressed prior to the launch of the Affordable Health Care Act. The Act was initially set to launch in 2014 but has been delayed until January 2015. In the media, you've most likely seen that all preliminary materials regarding the Act focus on the effect on "Employers with 50 or More Employees" and the stiff penalties for not providing health coverage. As a small employer, do you need to pay attention to any of it? Let's take a look.

Definition of an Employer with "50 or Less Employees"

First, figure out whether or not you are federally defined as an "employer with 50 or less employees". The federal definition of an employer with 50 or less employees is straight-forward for businesses with all full-time employees. Use head count. But what happens if you hire seasonal or part time workers throughout the year and the aggregate total takes your head count above 50?

Seasonal Workers—Generally speaking, seasonal workers (who work less than 120 days during the year) are exempt from head count calculations.

Part-time workers—According to the federal definition part-time workers are counted up on an aggregate basis to determine whether or not your business crosses the 50 full-time employee threshold. In general, divide the aggregate monthly hours worked of part-time employees by 120. If part-time workers put your count over the threshold, your business will need to be compliant with the Act however, the penalty for failing to provide insurance for those part-time employees will not apply. The Act will apply for full-time employees who are not provided with health care. (consult your health care advisor on Affordable Health Care Act for Employers with 50 or More Employees).

The Exchange

Next, small businesses should understand "The Exchange." All small businesses and individuals will have the option to enroll in an Exchange to secure health insurance. A Health Care Exchange is generally defined as an entity set up in your state to make it simpler for individuals and Small Businesses (under 100 employees) to compare health insurance options. Each state is expected to set up an Exchange with the purpose to oversee the insurance options available through the Exchange and provide resources such as insurance plan summaries to help in plan selection.

Businesses and individuals in states that do not set up an Exchange may look at the federal Exchange being set up.

The Exchange itself will not actually provide the insurance, but rather serve as a network of options. Each Exchange is expected to provide benefits that meet certain criteria called “essential health benefits”, at various coverage levels with cost-sharing limits. Special SHOP Exchanges (Small Business Health Options Program) will be established for Small Businesses. The Exchanges were to be set up by October 1, 2013...we'll have to see if that happens. Exchanges might serve as an opportunity for employers to potentially find insurance at a lower cost.

Tax Penalties on Individuals

It is important for Small Employers to understand the expected tax on individuals who decline coverage and its impact. The Act calls for penalties/tax to be collected along with federal income tax from individuals who do not have health care coverage.

1st Year of Act Implementation	1% of income or \$95, whichever is greater
2 nd Year of Act Implementation	2% of income or \$325, whichever is great
3 rd year of Act Implementation and beyond	2.5% of income or \$695 (indexed), whichever is greater
There is a family maximum of 3 times the individual tax	

A small business that has a health care plan partially paid for through employee payroll deduction currently might have some employees who opt-out of coverage because they don't want to deduct money from their take home pay. Once the Act is implemented, those employees will need to pay the aforementioned tax or penalty for not having coverage. This could cause employees to re-evaluate decisions on coverage, causing many to choose their employer offered plan, instead of pay Uncle Sam. Hence, the small business might see more employees taking advantage of coverage thereby increasing their costs.

For more information on the Affordable Health Care Act and/or information on the Act's impact on larger business, consult your health care advisor. Kevin Roller of Roller Consulting is available for questions at kroller@rollerconsulting.com.

About Margolis Partners

Margolis Partners has long been recognized as the financial expert for family-owned businesses with a specialty in the printing, packaging and allied graphic communications industries, assisting thousands of companies with strategic and financial management, valuation, mergers/acquisitions, accounting, audit and tax services. The firm is noted for its expertise in enabling companies to optimize profits. Proudly, it is the purveyor of the industry's *Value-Added Principles of Management*, and compiles the annual Printing Industries of America Ratios, the printing industry's premier financial benchmarking tool.

About New Direction Partners

The team at New Direction Partners LLC has guided over 200 printing company owners through the sales and merger process. The advisory services reflect a full set of skills to help you sell or expand your business: valuation, management consulting, financial advisory and investment banking. The deep experience and industry expertise at New Direction makes it uniquely suited to serve printing, packaging and allied graphic arts businesses.