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## The Affordable Care Act's effects on small businesses

Alyssa K. Mason

*College of Saint Benedict/Saint John's University*

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# Affordable Care Act's Effects on Small Businesses

Alyssa Mason

A decorative graphic consisting of several horizontal lines of varying lengths and colors (teal, light blue, white) extending from the right side of the slide towards the center.

My Question:

How does President Obama's new Affordable Care Act financially affect small businesses?

# Why is this important?

- **Businesses:**
  - Need to know how different size affects them
  - Which are better financially?
- **Policy Makers:**
  - Are the most amount of people benefitting?
- **Entrepreneurs:**
  - Avoiding “job lock” and starting own business

# Existing Research

## Pros

- Smaller Premiums
- More coverage options
- Allow people to start their own business
- No requirements for firms under 50 FTEs

## Cons

- Employer Mandate for firms with over 50 FTEs
- Stop hiring and cut hours and wages
- Restricts growth plans

[http://www.newyorker.com/talk/financial/2013/10/14/131014ta\\_talk\\_surowiecki](http://www.newyorker.com/talk/financial/2013/10/14/131014ta_talk_surowiecki)

<http://www.forbes.com/sites/jimblasingame/2012/04/23/obamacare-good-for-small-businesses/>

<http://www.forbes.com/sites/theyec/2013/04/22/is-the-affordable-care-act-really-bad-for-business/>

<https://www.healthcare.gov/what-do-small-businesses-need-to-know/>

## Main Component

- Businesses with 50+ employees must offer coverage

Large healthcare expense

Opt out of offering coverage?

- Subject to penalty payment

# Shared Responsibility Payment

- For business with 50+ employees
- “Play or Pay”
- Two Penalties:
  - No coverage
  - Unaffordable coverage (greater than 9.5% of annual income)
- Is this cheaper than offering coverage?

# Cost of the Shared Responsibility Payment

<b>Number of Employees</b>	<b>49</b>	<b>50</b>
Monthly Plan Cost	\$1,403	\$1,403
Yearly Cost per Employee	\$12,627	\$12,627
Yearly Cost of Coverage	\$618,723	<b>\$631,350</b>
Cost of Mandate	\$0	<b>\$40,000</b>



# Is there any incentive to offer coverage?

- Retain valuable employees
- Focused and satisfied employees
- Premium Tax Credit for under 25 employees

# Premium Tax Credit

- Beneficial financial effect
- Encourages small firms to offer healthcare coverage
- For small businesses under 25 FTEs
- Annual wages must be less than \$50,000 to claim
- Only available if employer uses SHOP marketplace

# Tax Credit Impacts

	\$20,000 Avg Wages			\$40,000 Avg Wages	
<b>Number of Employees</b>	<b>24</b>	<b>25</b>		<b>15</b>	<b>16</b>
Yearly Cost per Employee	\$12,627	\$12,627		\$12,627	\$12,627
Healthcare Costs	\$303,048	\$315,675		\$189,405	\$202,032
Tax Credit	\$10,102	\$0		\$6,314	\$0
After Tax HC Costs	\$292,946	\$315,675		\$183,091	\$202,032
Difference		<b>\$22,729</b>			<b>\$18,941</b>

# Key Findings of Financial Impacts

## Under 25 Employees

- No penalty for not offering coverage
- Premium Tax Credit
- No shared responsibility payment

## 25 to 49 Employees

- No penalty for not offering coverage
- **No** Premium Tax Credit
- No shared responsibility payment

## 50+ Employees

- Must offer coverage otherwise subject to Shared Responsibility payment

# Continued Research

- **Crunching numbers on variables**
  - Costs of premiums under different coverage options
  - Different shared responsibility payment penalties
  - Exact tax credits at various income levels
- **Retaining valuable employees**
- **Actual results**

Questions?