These 10 Employer Issues Were Created by the New Federal Law

See inside for a brief description of each

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The new law gives the Federal Secretary of Health and Human Services unprecedented control over the design and delivery of health care and insurance.

Employers have a choice to make. Take what they gave you, or work to replace those who think you are their H.R. department

Patients
Providers
Payers

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The Affordable Care Act and Your Business

Ten Key Concerns for Employers

The Affordable Care Act of 2010 - Ten Key Concerns for Employers

Negatively Changes Employee Behavior

The new law rewards individuals who earn or work less with generous insurance premium subsidies and for some, helps buy down their out-of-pocket expenses. The new law will have the effect of encouraging bad employee behavior, and discouraging good employee behavior. The employee that takes time off each week receives more subsidy than one that shows up all the time.

Severing the Employer/Employee Relationship

The new law creates new employee entitlements that will incent them to leave your group plan, and instead, purchase their insurance through a government website (the Exchange). Once the Exchange provides coverage to your employees, they will begin to believe that government provides their benefit, not you. You will provide the funding but receive no credit from your employees.

Subsidies for Upper Middle Income Employees

These new entitlements have the potential of subsidizing insurance for nearly 70% of the American population. For example, a family of four with household income of as much as $88,200, would qualify for a government subsidy. The burden of calculating household income is yours. Ask yourself, how many of your current employees would qualify? Do you know their family income? Under the new law, you will have to compute this.

Invading Employee Privacy

The new law requires employers to determine whether employees are entitled to premium subsidies. This will depend on the employee's household (family) income. Employers will be required to collect family financial information and track changes in family demographics (births, deaths, divorces, marriage, etc.).

Penalties

The new law defines numerous employer penalties. These are a few (and as penalties, none are deductible from gross income.)

- The employer pays a penalty to the Exchange for each employee that chooses coverage purchased from the Exchange.
- An employer with 50+, that declines to offer coverage, pays a penalty per employee.
- Enrollment wait times greater than 30 days create a penalty for each new employee you hire.
- Employers are required to provide at least 60 day notice on plan changes, or face a $100 per employee penalty.

Mandates

The new law contains many explicit mandates, but until the Secretary issues rules and regulations, many remain unknown. Since so much of the success of the new law depends on employers to track and report information, it is likely the number of mandates will increase, not decrease. For now, we know:

- Employers must cover adult children to age 26. This adds cost to coverage.
- Employers must inform employees of their right to use the Exchange.
- Employers must track and report their cost per employee of any health insurance benefit on the employee's W-2.
- **1099 Reporting**: For the first time, all business entities will be required to file 1099s on all purchases of goods as well as wages and salary. This requires your business to track payments on every company purchase and issue a 1099 to every vendor with whom you do business in excess of $600 per year.

Reducing Employer Flexibility

Employers will be limited to allowing no more than $2,500 on FSA arrangements. The government assumes employers will increase wages to offset this employee benefit.

Increasingly, employers have been enrolling employees in consumer directed health plans, using Health Savings Accounts and higher deductibles.

The new law places strict out-of-pocket limits on qualified health plans that will make HSA plans unavailable to some employees.

Regulations

The new law sets up 183 new boards, commissions, and grant-making offices that give the federal Secretary of Health and Human Services ultimate control over health care, insurance, and employers. Some of this control is explicit, while some is more implicit and even subtle . Employers will pay the bulk of new regulatory costs either through taxes, penalties, assessments, more reporting requirements, and/or increased insurance premiums.

Employers Lose Political Power Over a Critical Employer Benefit

The new law transfers health insurance decision-making power to bureaucrats in Washington, DC, and political control to members of Congress. Influencing Congress is far more expensive, complicated, and difficult than working with a state legislative body. Expressing your interests to the President is nearly impossible, while governors are far more accessible to employers.

The State Becomes Your New Health Insurance Agent

The new law gives states the right to choose whether professional health insurance agents will be able to bring individuals and small businesses to the Exchange. It also creates a new tax-subsidized, state bureaucracy – the office of the Ombudsman. The Ombudsman's duties are identical to those provided by your health insurance agent, except for one additional, critical duty: to report data to the federal government. Under the new law, when your employee or you have a conflict with a payer, provider, or the Exchange, you will have to ask the Ombudsman for help – this may be your new health insurance agent.

For more details, contact your professional health insurance agent