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How Health Care Reform Affects Your Small Business

The health care reform bill recently signed into law will affect small business in a myriad of ways—providing tax credits for some, imposing penalties on others and forcing changes in health care plans for almost all. Since the health law was signed, many agribusinesses have been searching for information about how their business will be affected. Below are some answers, as the law currently implies, to the most frequently asked questions. Keep in mind that many of the details regarding the specifics of this law are still undetermined. Regulators must write definitions and set rules for hundreds of specific provisions. Some of those rules will come quickly because they take effect this year, while others may not be decided for many months.

Tax Credits

I hear that some small businesses will get a tax credit to help pay for health insurance for workers. How can I tell if my business qualifies?

If you are an employer with 10 or fewer workers and their average annual pay is \$25,000 or less, you can receive a credit of up to 35% of your health premium costs each year through 2013, provided that you pay at least half of the total premium. For companies with more workers or higher average pay, the credit phases out, disappearing altogether for firms with more than 25 employees or average annual wages of \$50,000 or more. Tax-exempt firms that meet the same size and wage limits can receive up to 25% of the premiums they paid.

My business has more than 25 employees, but some of them are part-time. Can I get the credit?

Possibly. You'll have to figure out the number of full-time equivalent (FTE) employees you have, using a calculation that considers 2,080 as the number of hours worked by a full-time employee. An employer with 46 half-time employees, for example, has 23 FTEs and qualifies for the credit.

Are seasonal workers counted? How about family members? Do I count myself?

Neither you nor your family members are included in the count. A seasonal worker is counted if he or she works for an employer more than 120 days during the tax year.

When will the credit go into effect? How will it be figured? How long will it last?

Eligible small businesses can claim the credit as part of the general business credit starting with the 2010 income tax return that they'll file in 2011. All premiums paid in 2010 qualify as the basis of the credit, not just those paid after enactment of the new law. For tax-exempt employers, the IRS will provide further information on how to claim the credit. In 2014 and 2015, the credit is available only for small employers that buy health insurance through a state exchange, but the maximum increases to 50% of paid premiums for small firms and 35% for small tax-exempt organizations. The credit disappears after 2015. An example: XYZ Auto Repair has 10 employees, each paid \$25,000 a year, and annual health care costs of \$70,000. The 2010 tax credit of 35% would be \$24,500. In 2014, the credit would increase to 50%, or \$35,000.



Inside this issue:

ASA Actions in Health Care Reform (pg. 2)



Artichoke Recipe (pg. 3)



From the desk of the President of Agri-Services Agency

ASA Actions In Health Care Reform

Over the past twelve months, Americans and business owners alike watched as our legislative leaders debated over health care reform. At ASA, not only did we listen and educate ourselves on the proposed changes to the health care structure, we also went a step further to ensure our members' voices were heard.

Through numerous meetings with congressional staffers, ASA worked hard to ensure our health care program would continue to operate as a qualified health plan. While specific provisions and explanations of the health care reform laws are still being detailed, we remain a viable and competitive solution to health care issues for the agricultural industry and small business owners.

In efforts to provide broader access to comprehensive health insurance benefits, we have slightly altered our insurance offerings for 2011. We now offer multiple high-quality plan options from multiple carriers. These new plans, along with our existing program, provide a multi-tiered approach to finding the right coverage that best meets the unique insurance needs and budget of our customers. All plans include the high-quality service provided by our 24/7 customer service center – service our members have come to depend on.

Through ASA, all our programs are tailored to meet the unique needs of those in production agriculture. These plans offer a valuable tool for providing affordable health coverage to farmers, their families, employees and businesses.

Our goal with this newsletter is to provide you with additional information and resources to help you with your benefits. That's why we've provided the popular questions and answers on health care reform and what they could mean to your operation.

ASA President Max Gannon

How Health Care Reform Affects Your Small Business

(Continued from Page 1)

We already offer insurance. Can we qualify for the credit, or is it just for firms that start to offer health insurance coverage after the new law passed?

The tax credit is available to small firms that already offer health care coverage, so you are eligible for it.

I'm self-employed and have no employees. Can I qualify for the credit to help pay for my health insurance?

No. Self-employed individuals are not eligible for the tax credit. But starting in 2014, when you, as an individual, will be required to have health insurance, you will be able to shop for coverage through your state's American Health Benefit Exchange. In fact, at that point, if you don't buy insurance for yourself, you will pay a penalty. For 2014, the penalty will range from \$95 to \$285, depending on your taxable income. The penalty increases sharply in each of the next two years, to a maximum of \$975 in 2015 and \$2,085 in 2016. After 2016 the penalty will be indexed for inflation.

Health Exchanges

I keep hearing about health exchanges. What exactly are they?

The law requires each state to establish a

health insurance exchange by 2014. It will serve as a marketplace where individuals and small businesses can buy health insurance coverage. The government-regulated exchanges will offer insurance policies with different levels of coverage and price tags.

The assumption:

With insurers competing with one another in the exchanges, and small businesses and individuals pooling together for greater buying power, prices for policies will come down and quality will go up. Eventually, employers with 100 or fewer employees will be able to buy coverage through the exchange. But prior to Jan. 1, 2016, states may limit employer participation to firms with 50 or fewer folks on their payrolls. Beginning in 2017, states can allow firms with more than 100 employees to purchase coverage through an exchange. Employers will have a choice of four plan types—bronze, silver, gold and platinum—offering different levels of covered benefits. The bronze plan will represent the minimum level of benefits allowed under the law. It will include essential health benefits, to be defined by the Department of Health and Human Services (HHS), and cover 60% of the costs, with an out-of-pocket limit equal to the maximum for health savings accounts



(HSAs)—at present, \$5,950 for individuals and \$11,900 for families. The silver plan covers 70% of costs; the gold, 80%; and the platinum, 90%. In addition, an exchange could offer young adults a catastrophic plan that could include preventive benefits.

My company now has 48 employees. When the economy picks up, we hope to hire a half dozen more. Will that mean we can't take advantage of the health exchanges?

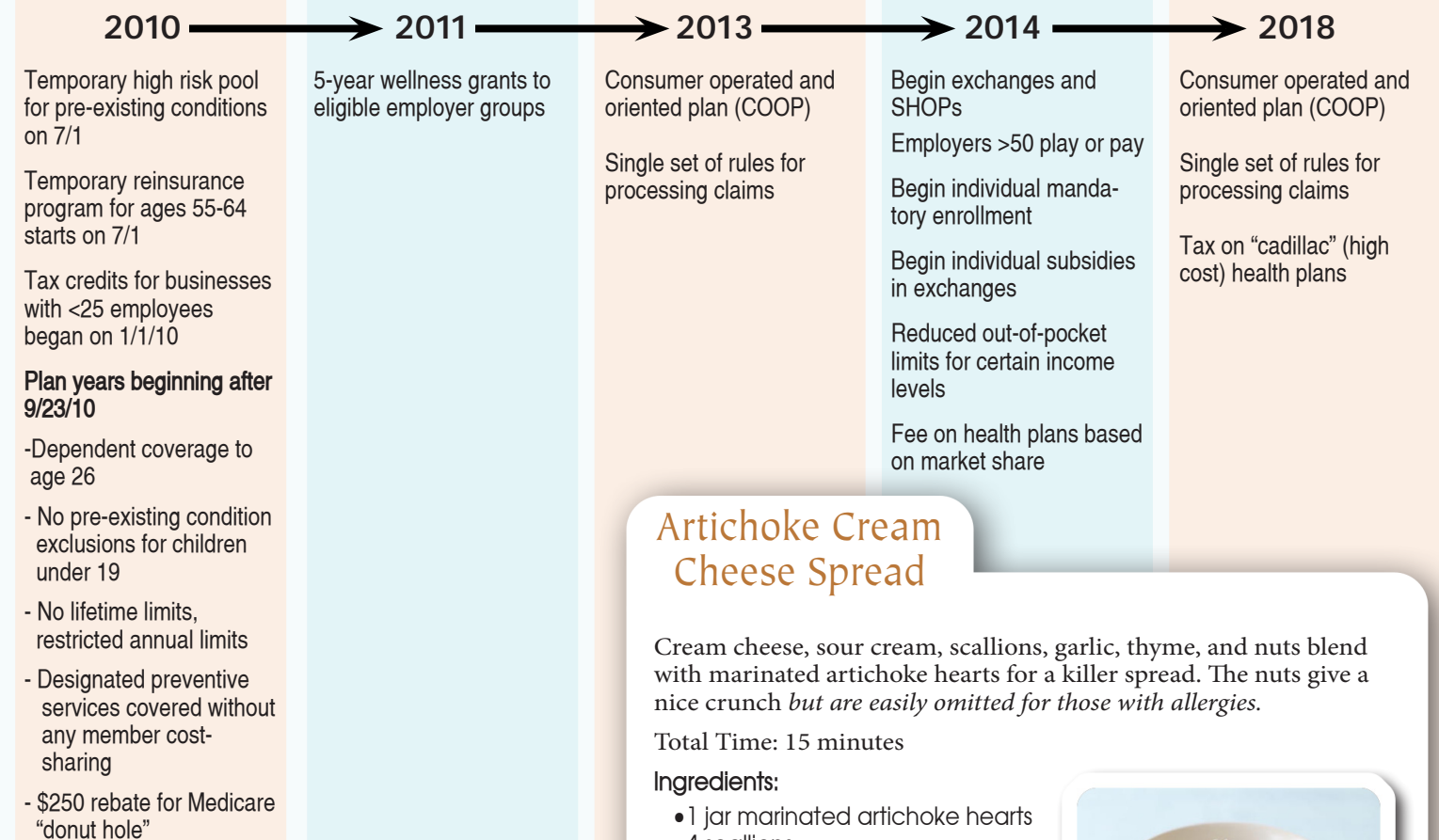
It may depend on where you are located. Prior to Jan. 1, 2016, states will have the option of limiting employer participation in an exchange to those with 50 or fewer employees. Otherwise the threshold is under 100 employees. If an employer with fewer than 50 workers participates in an exchange and later grows, the company can continue to buy coverage through the exchange.

Next month:

Penalties
New Tax Obligations

What's the timeline?

Impacts of the law will occur on different dates. Below is a timeline to help you understand key milestones and changes.



Artichoke Cream Cheese Spread

Cream cheese, sour cream, scallions, garlic, thyme, and nuts blend with marinated artichoke hearts for a killer spread. The nuts give a nice crunch *but are easily omitted for those with allergies.*

Total Time: 15 minutes

Ingredients:

- 1 jar marinated artichoke hearts
- 4 scallions
- 1/4 cup fresh parsley
- 6 sprigs of thyme
- 8 ounces cream cheese
- 1/2 cup sour cream
- 2 cloves garlic, pressed
- Salt and pepper to taste
- Squeeze of lemon juice
- 1/2 cup walnuts, sunflower seeds, or almonds, chopped



Preparation:

Drain the marinade from artichoke hearts. Chop the artichoke hearts finely with scallions, parsley, thyme, and leaves stripped from stems. Set aside.

Mix cream cheese with sour cream, garlic, salt, and pepper to taste, and squeeze of lemon juice.

Add the chopped artichoke/onion/herb mixture to cream cheese, and add chopped walnuts or other nuts. Blend well. Adjust seasonings to taste.



Workers' Compensation

ASA is an industry leader providing workers' compensation coverage to agribusiness in 27 states. Our programs were created by farmers for farmers to meet the unique needs of agribusinesses. Our skilled professionals have more than 20 years of underwriting experience in agribusiness. We tailor our programs to meet the unique needs of your business.