

What the Affordable Care Act Means for Small Businesses

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The Affordable Care Act (ACA) is the most sweeping health-policy change since Medicare was established in 1965. Due to the tremendous controversy over the law, many business owners find it difficult to understand how the law will affect their business as they attempt to sort out the myths and misinformation.

“How the ACA will affect your business depends largely on how large your workforce is,” said Chrystal Irons, business development specialist, University of Missouri Extension.

The first step to understanding how the ACA will affect your business is to determine whether you are a large or small employer. A large employer has 50 or more full-time equivalent (FTE) employees. A small employer has fewer than 50 FTEs.

When determining employer size, you must add the number of full-time employees to the number of full-time equivalent employees. For ACA purposes, a full-time employee is any employee working 30 or more hours per week or 130 hours in a given month. Full-time equivalent employees are a combination of employees who are not full-time but, added together, are the equivalent of a full-time employee.

Smaller-scale businesses

A business with no employees will fall under the individual mandate requiring health-insurance coverage for at least three months out of the year, an exception, or be subject to an individual shared-responsibility payment.

Small-scale employers, those with fewer than 50 full-time equivalent employees are *not* required to offer health insurance to their employees. Those who choose to offer coverage will now have access to the new health-insurance marketplaces.

The small-business marketplace is called the Small-business Health Options Program, or the SHOP. The Marketplace will give small employers and their employees access to health insurance plans that must include a package of essential health benefits, like coverage for doctor visits, preventive care, hospitalization and prescriptions.

“SHOP is now open for small

employers to apply via a paper application. There is no online registration available at this time. Businesses can contact local insurance agents or brokers who are licensed to do business with the SHOP,” said Irons.

Some small-scale employers, those with 24 or fewer employees, may be eligible for the Small Business Health Care Tax Credit. Lawmakers included the Small Business Health Care Tax Credit in the health care law to make coverage more affordable.

To be eligible for the tax credit, the employer must have an average annual wage of \$50,000 or less, and they must contribute at least 50% toward the

employee-only insurance premium cost. The credit is on a sliding scale where the number of FTEs and the average annual wage limitations will separately reduce your credit.

“Business owners are encouraged to work closely with their tax professional to take advantage of this opportunity,” said Irons.

Large employers, those with 50 or more full-time equivalent employees, must provide health

insurance for their full-time employees or pay a per month “employer shared responsibility payment” on their federal tax returns. The penalties will begin in 2015. The fee is based on whether or not the employer offered affordable health insurance to employees that provided minimum value.

“It is time for small business owners to educate themselves about the law so they can make decisions in the best interest of their employees and their bottom line,” said Irons.

The University of Missouri Extension and the Missouri Small Business and Technology Development Centers are available to help both individuals and small-business owners obtain the education they need to make informed health care decisions. For a list of local workshops or to learn more please visit <http://extension.missouri.edu/insure/families.aspx>.

Employers with fewer than 50 FTEs aren't required to offer health insurance, but if they choose to will have access to the new health insurance marketplaces.

Editor's Note: David Burton is civic communications specialist for University of Missouri Extension and is located in Springfield, Mo.