
Welcome to An Update for Agents and Brokers On the NY Health Benefit Exchange

May 17, 2013

- All Phone lines will be muted during the presentation
- Please submit your questions through the Webinar Q&A function
- Slides will be posted to website following presentation

Agenda

- **Exchange Updates**

Kelly Smith - Director, SHOP Exchange

- **Small Business Health Care Tax Credits**

Sharon Woda, Director - Manatt Health Solutions

Adam Block, Manager - Manatt Health Solutions

Manatt's participation is made possible through support from the Robert Wood Johnson Foundation and the State Health Reform Assistance Network.

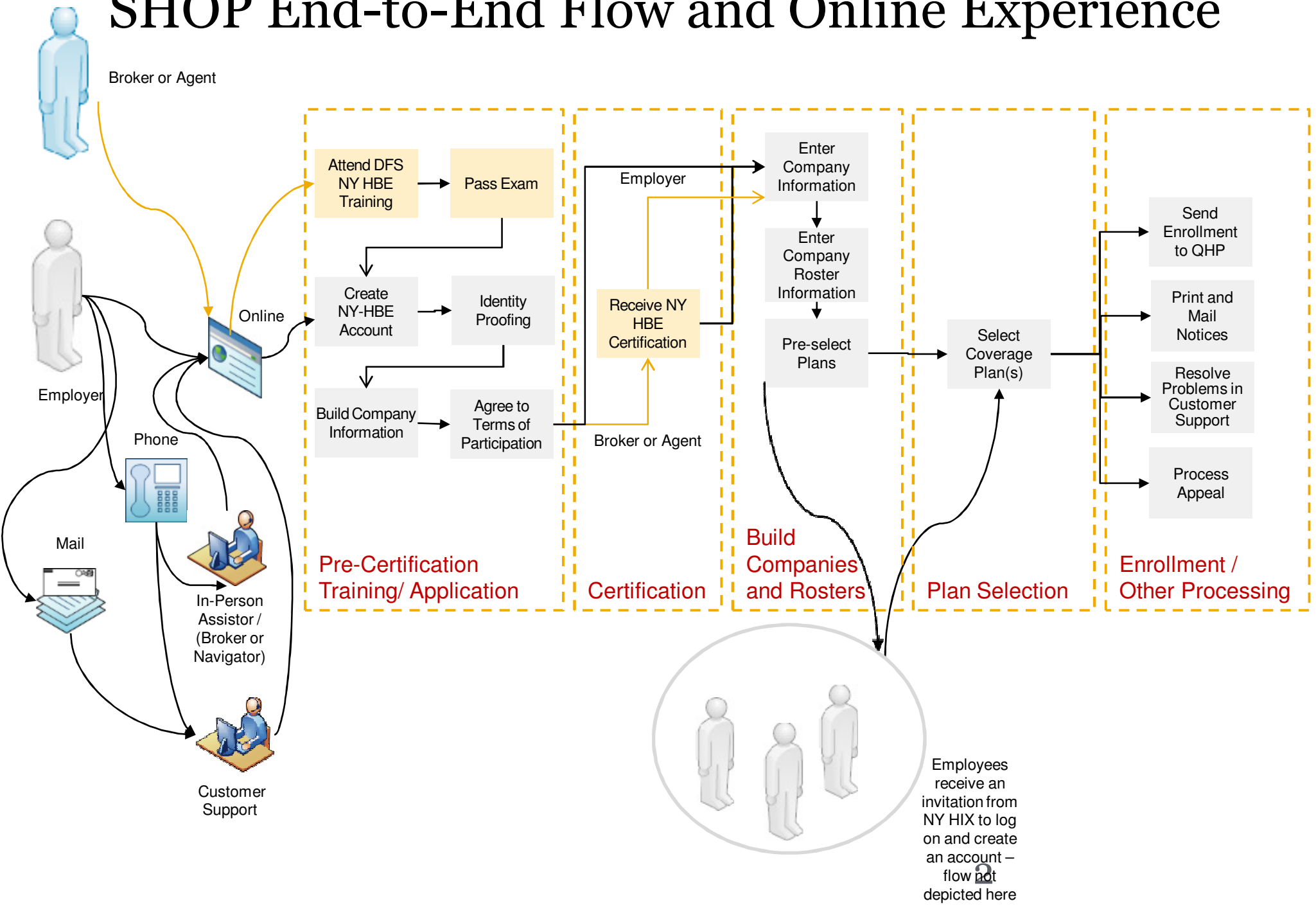
- **Update on Healthy New York**

Eileen Hayes - Deputy Chief, Dept. of Financial Services

- **Update on Broker Certification and Training Requirements**

Joe Muldoon – Director of Broker Relations, SHOP Exchange

SHOP End-to-End Flow and Online Experience



Small Business Tax Credit

Overview Webinar for New York State Producer Community

May 17, 2013

Adam E. Block, PhD

Sharon Woda, MBA

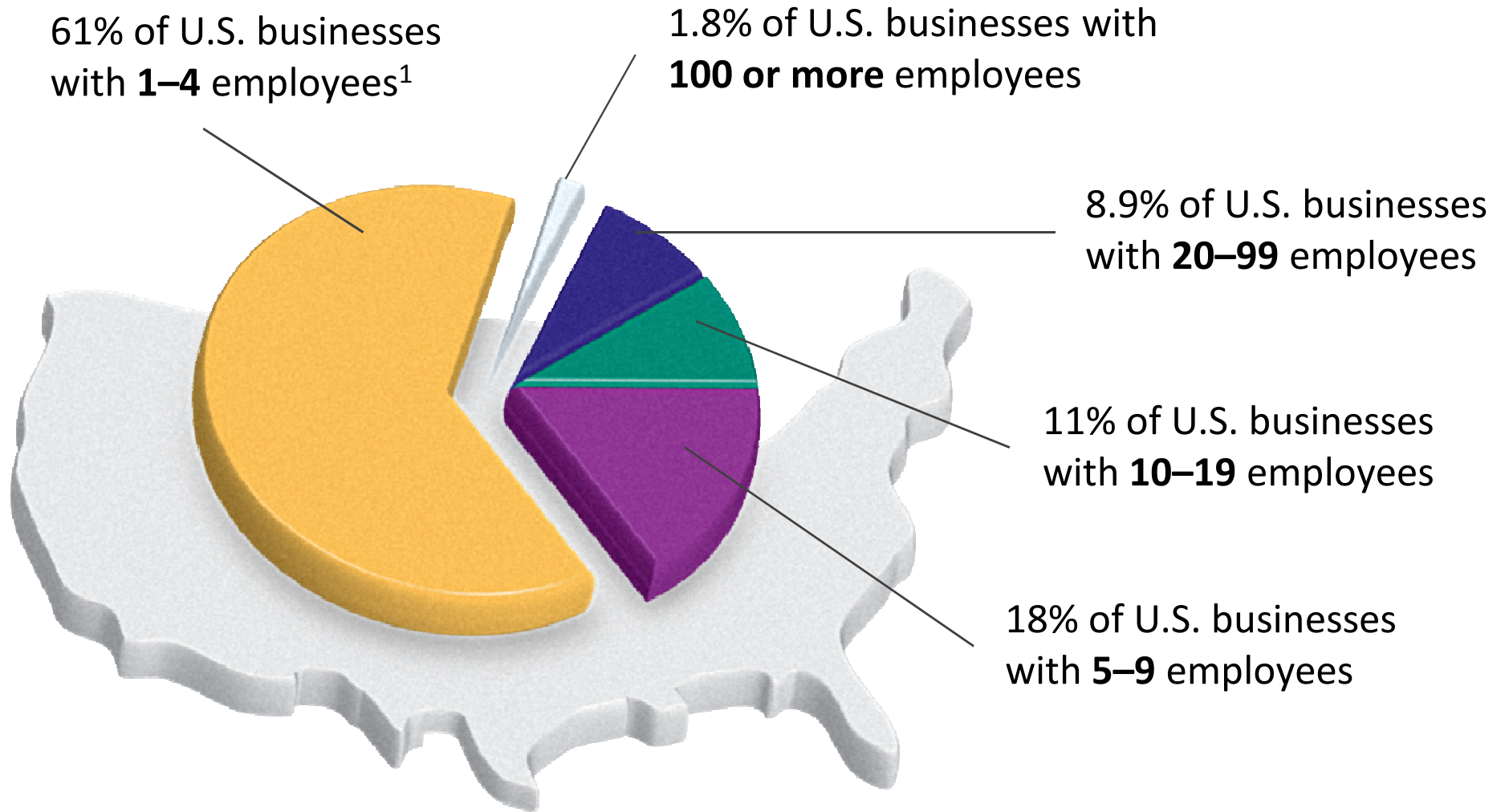
Unlocking the “Mandates” & Penalties

Shared Responsibility Provisions:

- **Individuals** must have health insurance, **if affordable**, or pay a penalty
- **Small employers** are **not** required to offer health coverage or pay for coverage for their employees
- **Larger** employers (50 and more full-time equivalent employees) are **not** required to offer health coverage to their employees
- Some larger employers **may** face a penalty if they do not offer coverage, **if** any of their full time employees obtain government-subsidized individual insurance

*Bottom Line: the private insurance market will **expand** under the ACA*

Small Businesses An Important Market Segment



Producers sold 88% of small group business in New York.²

1. Source: U.S. Census Bureau, Statistics of U.S. Businesses

2. Source: Wakely Consulting Group, "The Role of Producers and Other Third Party Assistors in New York's Individual and SHOP Exchanges," June, 2012, p. 11.

Health Insurance Options Under ACA

Focus of Today's Discussion

Small Business Options



Businesses with fewer than 25 employees (with some limitations) eligible for tax credits to offset cost of insurance



Businesses with 50 or fewer employees new insurance purchasing options via Insurance Marketplaces (SHOP)

Individual/Family Subsidies via Individual Marketplaces



Tax credits to help make individual insurance coverage more affordable under **400% FPL**:

- \$45,960 for individuals
- \$78,120 for family of 3



Reduced co-payments and out-of-pocket costs for those making less than **250% FPL**:

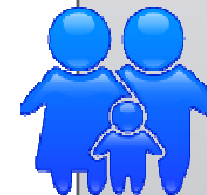
- \$28,725 for individuals
- \$48,825 for a family of 3

Medicaid

Expand Medicaid program to cover adults up to 133% federal poverty level (FPL)



Individuals:
\$15,281 a year or less



Family of 3:
\$25,975 a year or less

Small Business Tax Credit is Under-Utilized

- In 2010, 170,300 employers claimed \$468 million in tax credits, underperforming pre-ACA estimates.¹
 - Budget estimates were \$2 billion in 2010.¹
- New York small businesses have similarly under-utilized the small business tax credit since 2010.²
- Producers agree that complexity reduces tax credit use.²
- The NYHBE tax credit calculator and application process will:
 - Simplify producer access to the small business tax credit
 - Increase use by eligible small employers
 - Encourage small groups to offer health insurance

1. GAO 12-549, "Small Business Health Tax Credit, Factors Contributing to Low Use and Complexity," May 2012

2. Wakely Consulting Group, "The Role of Producers and Other Third Party Assistors in New York's Individual and SHOP Exchanges," June, 2012, p. 21.

Beginning in 2014:

- Small business tax credit continues and is more generous, but limited for any eligible employer to 2 years
 - Maximum tax credit increases from 35% to 50% for taxable employers
 - Maximum tax credit increases from 25% to 35% for non-taxable employers
- Premium/cost-sharing subsidies will help **individual workers** in small businesses buy health insurance **if** their employers do not provide it

Qualifying for the Small Business Tax Credit

- **Contribution to health care coverage**
 - Do you cover at least 50% of the cost of health care coverage for your workers based on the single rate?

- **Firm size**
 - Do you have fewer than 25 Full Time Equivalentents (FTEs)

- **Average annual wage**
 - Do you pay average annual wages below \$50,000?

Both taxable (for-profit) and tax-exempt organizations qualify

Calculating the Small Business Tax Credit

- **Firm Size (FTEs) = Total Full Time Employees + (Total Annual Part Time Hours/2080)**
 - Owners are excluded from FTE count and employer cannot receive tax credit for owner's insurance
 - All employee hours counted and based on 40 hour week
- **Wages = Total Wages Paid/ FTEs**
 - Owner and family member wages are excluded from total wages
- **Maximum Small Business Tax Credit**
 - Up to 50% of a small business' premium costs in 2014 for two years
 - Up to 35% for tax-exempt employers (refundable via payroll tax) for two years

How to Determine Tax Credit (2014)

- Credit is reduced on a sliding scale:
 - As average wages increase from \$25,000 to \$50,000
 - As FTEs increase from 10 to 25
- New York Health Benefit Exchange will make a tax credit calculator available
- National Tax Credit Calculators are publicly available:
 - <http://www.smallbusinessmajority.org/tax-credit-calculator/>
 - <http://www.nfib.com/advocacy/healthcare/credit-calculator>

Four Inputs for Small Business Tax Credit

Input
1. Full Time Employees
2. Part Time Employee Total Hours
3. Total Wages
4. Employer Portion of Total Premiums

Small Business Tax Credit: Illustration

Main Street Auto Mechanics	
Input	Output
Full Time Employees: 10	FTEs = 10 + [10,400 /2,080] = 15
Part Time Hours: 10,400	Wages = \$450,000 /15 = \$30,000
Total Wages: \$450,000	Percentage Credit = ?
Employer Premiums : \$20,000	Tax Credit = ?

Small Business Tax Credit: Illustration

Phase Out Table for 2014 Small Business Tax Credit

Firm size	Average wage					
	Up to \$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000
Up to 10	50%	40%	30%	20%	10%	0%
11	47%	37%	27%	17%	7%	0%
12	43%	33%	23%	13%	3%	0%
13	40%	30%	20%	10%	0%	0%
14	37%	27%	17%	7%	0%	0%
15	33%	23%	13%	3%	0%	0%
16	30%	20%	10%	0%	0%	0%
17	27%	17%	7%	0%	0%	0%
18	23%	13%	3%	0%	0%	0%
19	20%	10%	0%	0%	0%	0%
20	17%	7%	0%	0%	0%	0%
21	13%	3%	0%	0%	0%	0%
22	10%	0%	0%	0%	0%	0%
23	7%	0%	0%	0%	0%	0%
24	3%	0%	0%	0%	0%	0%
25	0%	0%	0%	0%	0%	0%

Source: CRS analysis of PPACA (P.L. 111-148).

Small Business Tax Credit: Illustration

Main Street Auto Mechanics	
Input	Output
Full Time Employees: 10	FTEs = 10 + [10,400 /2,080] = 15
Part Time Hours: 10,400	Wages = \$450,000 /15 = \$30,000
Wages: \$450,000	Percentage Credit = 23%
Employer Premiums = \$20,000	Tax Credit = \$20,000 * 23% = \$4,600

What Small Employers Must Do

IRS Form 8941

Form 8941 Department of the Treasury Internal Revenue Service	Credit for Small Employer Health Insurance Premiums ▶ Attach to your tax return. ▶ Information about Form 8941 and its separate instructions is at www.irs.gov/form8941 .	OMB No. 1545-2198 2012 Attachment Sequence No. 63
Name(s) shown on return		Identifying number
1a Enter the number of individuals you employed during the tax year who are considered employees for purposes of this credit (see instructions)		1a
b Enter the employer identification number (EIN) used to report employment taxes for individuals included on line 1a (see instructions)		1b
2 Enter the number of full-time equivalent employees you had for the tax year (see instructions). If you entered 25 or more, skip lines 3 through 11 and enter -0- on line 12		2
3 Average annual wages you paid for the tax year (see instructions). If you entered \$50,000 or more, skip lines 4 through 11 and enter -0- on line 12		3
4 Premiums you paid during the tax year for employees included on line 1a for health insurance coverage under a qualifying arrangement (see instructions)		4
5 Premiums you would have entered on line 4 if the total premium for each employee equaled the average premium for the small group market in which you offered health insurance coverage (see instructions)		5
6 Enter the smaller of line 4 or line 5		6
7 Multiply line 6 by the applicable percentage: • Tax-exempt small employers, multiply line 6 by 25% (.25) • All other small employers, multiply line 6 by 35% (.35)		7
8 If line 2 is 10 or less, enter the amount from line 7. Otherwise, see instructions		8
9 If line 3 is \$25,000 or less, enter the amount from line 8. Otherwise, see instructions		9
10 Enter the total amount of any state premium subsidies paid and any state tax credits available to you for premiums included on line 4 (see instructions)		10
11 Subtract line 10 from line 4. If zero or less, enter -0-		11
12 Enter the smaller of line 9 or line 11		12
13 If line 12 is zero, skip lines 13 and 14 and go to line 15. Otherwise, enter the number of employees included on line 1a for whom you paid premiums during the tax year for health insurance coverage under a qualifying arrangement (see instructions)		13
14 Enter the number of full-time equivalent employees you would have entered on line 2 if you only included employees included on line 13		14
15 Credit for small employer health insurance premiums from partnerships, S corporations, cooperatives, estates, and trusts (see instructions)		15
16 Add lines 12 and 15. Cooperatives, estates, and trusts, go to line 17. Tax-exempt small employers, skip lines 17 and 18 and go to line 19. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, stop here and report this amount on Form 3800, line 4h		16
17 Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)		17
18 Cooperatives, estates, and trusts, subtract line 17 from line 16. Stop here and report this amount on Form 3800, line 4h		18
19 Enter the amount you paid in 2012 for taxes considered payroll taxes for purposes of this credit (see instructions)		19
20 Tax-exempt small employers, enter the smaller of line 16 or line 19 here and on Form 990-T, line 44f		20

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 37757S

Form **8941** (2012)

Update on Healthy NY

Eileen Hayes

Department of Financial Services

Major Changes in 2014

- The Healthy NY program has been significantly changed by the 2013-14 budget legislation.
- The program will be terminated for individuals and sole proprietors after December 31, 2013.
- Coverage for current individual and sole proprietor enrollees will be discontinued at the end of the year.
- The program will continue to be available in 2014 for eligible small employers only.

Discontinuance of Current HNY Products

- Insurers will send written notice of the program discontinuance to enrolled individuals and sole proprietors in July.
- Individuals and sole proprietors may continue to enroll through 2013. Any coverage in effect will terminate December 31, 2013.
- Currently enrolled small employers will be notified that their coverage will be revised in 2014 to meet ACA requirements. The changes also apply to grandfathered plans.

Healthy NY Product in 2014

- The current Healthy NY benefit packages will be replaced with a new benefit package effective January 1, 2014.
- The new coverage will comply with the essential health benefits and other federal requirements of the ACA.
- The new Healthy NY product will be the Standard Plan at the gold level (80% AV). This will be the only benefit package available for Healthy NY coverage.

Additional Program Information

- Individuals and Sole Proprietors will be encouraged to seek health insurance through the Exchange, where they may be eligible for premium assistance and cost-sharing subsidies.
- The program's eligibility criteria for small employer applicants will continue to apply.
- DFS will be revising the Healthy NY small employer application to accommodate the program changes for 2014.
- DFS will also be providing updates on the Healthy NY website. <http://www.dfs.ny.gov/healthyny/index.html>
- There has been no change to the way commissions will be offered for Healthy NY products.

Broker Training and Certification

- Exchange training will be CE credit eligible
 - SHOP Training – 8 credits
 - Individual Exchange Training – Pending
- Timeline:
 - SHOP training classes begin early August and continue through 2014.
 - Exact details on Individual Exchange training to be announced but will be similar to SHOP Exchange training.
 - Certification testing immediately follows completion of training.
- Training format (classroom/online/duration) to be determined
- Brokers will be notified of rollout via Exchange website, email, through state associations, and on future Exchange webinars

Questions?

Upcoming Broker Webinars

- Demonstration of enrollment portal
- Qualified Health Plan information
- Training and certification guidelines

- Please email us your suggestions for future topics!

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