

What the health care act means for you

Inside the Patient Protection and Affordable Care Act

On March 23, President Obama signed into law the Patient Protection and Affordable Care Act, sweeping health care reform legislation. Many professional photographers who were previously uninsured will gain health insurance coverage. Many who haven't been able to afford coverage will be eligible to receive assistance from the government through tax credits and other subsidies.

By 2014, most Americans will be required to purchase health insurance through a new kind of marketplace called an exchange (more on that later), or face a financial penalty of about \$695 per year. Businesses with more than 50 employees will be required to offer affordable health insurance coverage or pay a penalty.

Businesses with two to 50 employees are not required to provide coverage for their employees. However, if a small business does provide health care coverage, and pays at least 50 percent of the premium on behalf of the employees, the company is then eligible to use the new small business tax credit.

Because the changes affect individuals as well as small businesses, the impact of the new law on professional photographers will be big, and was a major focus for Professional

Photographers of America (PPA) in its lobbying on Capitol Hill. (Repercussions include a likely increase in the cost of insurance and consolidation of the insurance market. Standardizing coverage could lead to fewer choices, and higher prices. The subsidies will help individuals pay for coverage, but at a cost to taxpayers.)

PPA has been involved in the health care debate on behalf of small businesses for a number of years. This has entailed preparing testimony for hearings, visiting key congressional offices and committees, sending letters of support for key legislation, and participating in the Small Business Coalition for Affordable Health care, stressing the importance of access to affordable, high-quality health care coverage in the context of the small business-owning photographer.

Many of the bills PPA supported in previous congressional sessions, such as the health exchanges described in the SHOP Act of 2008 became part of the new law. PPA voiced its concern to Congress that the Patient Protection and Affordable Care Act it intended to pass included provisions that might be burdensome to small businesses, such as coverage mandates and new IRS reporting requirements. PPA worked closely with the small business coalition to ensure the congressional leadership understood the impact of the bill on small business owners, and urged them to consider more favorable provisions.

PPA believes that this resulted in the passage of a bill that can be adapted during the regulatory process to better suit the needs of small business owners.

At this point, some facets of the new law are still unclear. Further, individual states

have their own regulations on health care and business.

For now, we present a few highlights of the law that we've gleaned from a variety of reliable sources and that we've checked against the official government online resource, healthcare.gov.

IF YOU ARE SELF-EMPLOYED WITH NO EMPLOYEES

- Individuals (both self-employed and employees of a small business not offering insurance) are required to purchase health insurance independently or through an exchange (see "Concepts to Understand") or face a financial penalty of about \$695 per year.

- Individuals will be able to purchase high-quality insurance directly in an exchange, which gives you buying power similar to that of large businesses, meaning better choices and lower prices.

- Starting in 2014, job-based health plans and new individual plans won't be allowed to exclude you or your family members from coverage or charge more for a pre-existing condition, including a disability.

- Effective now, if you have dependent children under age 26, you can insure them under your policy, unless you are now covered under a job-based plan, or your children can get their own job-based coverage.

- New health plans must cover certain preventive services, and insurance companies cannot place limits on the dollar amount of the benefits you may receive over your lifetime.

- Essential health benefits like hospitalization, prescription drugs, and rehabilitation and mental health services will be covered in all new individual, small business, and exchange plans. If your income is less than the equivalent of about \$88,000 for a family of four (by today's index) and your job doesn't offer affordable coverage, you may get tax credits to offset the cost of health insurance.

LEARN MORE ABOUT HOW THE HEALTH CARE LAW AFFECTS YOU

- The federal health insurance information site healthcare.gov includes a video presentation on the new law, a timeline of the planned implementation of key changes, and state-by-state descriptions of available health plans.

- Contact your State Department of Insurance for more information about small employer rating rules in your state: www.naic.org/state_web_map.htm

CONCEPTS TO UNDERSTAND

WHAT IS AN EXCHANGE?

To level the field—and to force insurance providers to price competitively—we'll see a new pooled-buyer insurance marketplace, or exchange, that offers individuals and small businesses a choice of plans that meet certain benefits and cost standards. Starting in 2014, individuals and small businesses (generally, those with fewer than 50 employees, though states may, at their discretion, expand the qualifications to include firms with up to 100 employees) will be able to take advantage of the kind of economy-of-scale insurance buying power that's been available to larger employers. States must set up small business health options programs, SHOP Exchanges, where small businesses will be able to pool with others to buy insurance.

HOW WILL THE TAX CREDITS WORK?

If you have no more than the equivalent of 25 full-time employees, pay average annual wages below \$50,000 per employee, and pay for at least 50 percent of the cost of health care coverage for some of your workers, you may qualify for a small business tax credit of up to 35 percent (up to 50 percent after January 1, 2014) of the amount of your premium to offset the cost of your insurance. You'd pay the usual premium, but claim the deduction on your income tax report. It is not payable in advance or refundable. The self-employed are excluded from the tax credit during the initial stages, but will be eligible for affordability assistance in 2014. The credit phases out gradually for businesses that pay average annual wages of \$25,000 to \$50,000 per employee, and firms with the equivalent of 10 to 25 full-time workers.

For the full details on the rules on tax credits and an easy worksheet to see if you qualify, go to the news center at irs.gov.

WHAT IS A TEMPORARY HIGH-RISK POOL?

Another phase-one benefit photographers can take advantage of is the law's establishment of temporary high-risk pools for individuals, which states were required to implement by July 1, 2010. Individuals with a pre-existing health condition who have been without coverage for the last six months may qualify for a high-risk pool program. This initiative gives photographers who could be defined as high-risk access to a policy until 2014, when new health insurance will be required.

PROFIT CENTER

- Self-employed people without employees cannot take advantage of the tax credit being offered (see “Concepts to Understand”).

However, if your income is low enough, you will qualify for the new individual subsidy to help pay for your insurance. Subsidies are available to people making less than four times the official federal poverty level in your category; e.g., if you earn \$100,000 a year, you would not be eligible unless you were the sole breadwinner for a family of five or more members.

- Beginning in 2014, tax credits to offset the cost of health care coverage will be available to middle-class individuals who are not eligible for or offered affordable coverage, such as self-employed photographers who do not have employees. “Middle-class” means people whose annual income meets a certain benchmark—between 133 and 400 percent more than the given year’s

poverty level. For example, in 2010, those figures would start at \$43,000 for an individual and \$88,000 for a family of four.

IF YOU OWN A SMALL BUSINESS WITH TWO TO 50 EMPLOYEES

- Small businesses with two to 50 employees are not only exempt from having to provide health insurance for employees and for paying any part of the premium if they do, they’re also exempt from paying an assessment fee if their employees get tax credits through the exchange marketplace. Health insurance companies must offer the same health plans they offer other small employers in the state where the business is located.

- If a business owner does elect to buy a policy to cover his or her employees, the new law prohibits insurance companies from refusing coverage based on the health of the

employees or their family members—pre-existing conditions in other words. Starting in 2014, insurers won’t be allowed to charge more for a policy because of the health or gender of the employees, either.

- For the purposes of the federal tax credit, owners and their close relatives are not counted as employees in the tally of eligibility requirements, and their health care expenses cannot be offset by the credit. Eligibility for the credit does not depend on the structure of the business entity (a corporation versus a sole proprietorship, say). ■

Do you have questions about how health care reform will affect your business? Email us at cbishopp@ppa.com and include “health care” in the subject line.

Feature Editor Leslie Hunt and Maria Matthews, PPA’s copyright/government affairs manager, contributed to this article.