

SUBSCRIBE NOW

>> COMPLIMENTARY ISSUE <<

SUBSCRIBE NOW

>> COMPLIMENTARY ISSUE <<

Northeast Ohio's Business Enthusiast IBmag.com >>

[HOME](#)[MAGAZINE](#)[EVENTS & AWARDS](#)[RESOURCES](#)[ARCHIVE](#)[ADVERTISE](#)[CONTACT US](#)[Power 100](#)[NEO Success Awards](#)[Manny Awards](#)[Team NEO Awards](#)[ATHENA Awards](#)[Northcoast 99 Awards](#)[Business Hall of Fame](#)[County Exec. Forum](#)[Working The Room
Ohio Entrepreneur
Letters](#)

Follow Us On



Healthy Changes?

By Peter Strozniak

Northeast Ohio companies grapple with uncertainties and challenges of sweeping changes ushered in by the health care reform law.



After the U.S. Congress passed the landmark health care reform law in March, insurance executive Scott Dillabaugh began getting a ton of panic phone calls from his business clients.

"There's a lot of uncertainty about what health care reform really means to businesses," says Dillabaugh, senior vice president and employee benefits sales leader for the Hylant Group of Independence, an insurance and consulting company.

Over the past few months, Dillabaugh has been crisscrossing Northeast Ohio and the Midwest making presentations to businesses about how to prepare — as best they can — for health care reform.

The health care reform law, designed to expand health insurance accessibility and affordability to more than 30 million Americans, will mean sweeping changes for every business, changes that are fueling a lot of anxiety, dilemmas and even downright acrimony.

Small firms are angry they will not qualify for tax credits, a much-promoted benefit of the reform law. Big companies are anxiously struggling with the future possibility of dropping health care insurance altogether because of the unending rising costs of medical care and an aging work force. Businesses are also facing dilemmas about whether they should grandfather their health care plans that would be exempt from complying with certain provisions of the reform law for four years.

Difficult decisions ahead

Health care costs have been on the rise for years, but the reform law may compel small business owners like Robert H. Myers and David Zupan to make some tough decisions.

Myers Homes' health care premiums increased by 14 percent in 2010. "I've been told to expect premiums to increase by 20 percent in 2011," says the president of the South Russell-based high-end home builder, which has five employees. "If that actually comes through, we may drop health care altogether."

Visium Resources, a 17-employee information technology staffing and consulting firm in Rocky River, saw its health care premiums increase nearly 30 percent. In previous years, the company premiums have jumped 8 percent to 12 percent, says Zupan, Visium's president. Zupan is also re-evaluating his health care options.

Myers has already braced his employees for the possibility of cutting health care and considered raises to cover the cost of private insurance. "I'm just disgusted with it," he says.

Not much credit

Although the reform law provides new tax credits to make health care insurance affordable for small businesses, only half of Ohio's 224,000 small firms are eligible for the tax credits, according to the U.S. Department of Health and Human Services.

Companies that employ up to 10 employees with an average wage of less than \$25,000 get a 35 percent tax credit from 2010 to 2013 if they pay 50 percent of employees' health care premium. The tax credit increases to 50 percent in 2014. Businesses that employ 11 to 24 employees with an average wage of less than \$50,000 can qualify for tax credits of up to 35 percent from 2010 to 2013, and up to 50 percent in 2014.

- "Even though my company is the very definition of a small business, I don't have a single employee who will qualify for the full credit because I don't have guys working for less than \$50,000," Myers says. "In reality, if you have any skilled labor in your company, you're not going to qualify for the tax credit."

The credit is more likely to benefit small businesses such as beauty salons, restaurants, bars, retail shops and other service businesses that typically pay employees less than \$25,000 a year. But there's another obstacle that will prevent many small businesses from taking advantage of the health insurance tax credit.

"A lot of small companies are family-run operations, but the health insurance tax credit does not apply to family members who are employed by the business," says Sharon Student, manager of small group and individuals for the Cleveland office of Kaiser Permanente, a health insurer. "So the tax credit is not helping family-owned businesses, and we're hearing a lot of feedback about that from brokers."

Although the health care reform law's employer responsibility provision is four years away, business owners are looking at whether this provision gives them a far less expensive option by dropping health care benefits.

A less expensive option?

By 2014, the reform law's employer responsibility clause will require companies that employ more than 50 workers to pay a \$2,000 per-employee penalty fee for companies that don't provide health insurance. The first 30 employees are exempt from the penalty.

Some large businesses, including Fortune 500 corporations, have already suggested they may drop health care benefits because paying the penalty would be less than paying for health insurance.

Currently, the average cost of family coverage is \$13,770, which includes employer and employee contributions, according to Kaiser Family Foundation, a nonprofit health care research group. That cost is up 3 percent from last year.

Moreover, health care costs are more likely to increase for businesses because the reform law requires broader coverage such as no lifetime limits on coverage; extended coverage for adult children up to age 26, and 28 in Ohio; coverage for children with pre-existing conditions; and no cancellation of insurance when people get sick, says Keith A. Ashmus, past president of the National Small Business Association and attorney at Cleveland law firm Frantz Ward LLP.

The reform law also authorizes states to form exchanges by 2014 that would enable individuals and companies to buy health insurance.

"We've been providing insurance for employees, so our strong inclination is to keep providing insurance," says Ashmus, whose legal firm employs more than 60 lawyers and 35 support staffers. "But my business, like any other business, is going to be taking a close look at whether to continue providing insurance or making a payment to employees to buy their own insurance."

"But we don't know that yet because we don't know how the health insurance exchanges will be set up and how they will impact businesses," he adds.

Student of Kaiser speculates the health insurance exchanges will benefit small businesses and individuals. Theoretically, if the exchanges enroll large numbers of people and small companies, they would spread the risks for health insurance companies, which might reduce the cost of premiums and make insurance affordable.

A briefing report by the Kaiser Family Foundation says the aim of exchanges is to focus competition among plans on the price of coverage and minimize the tendency for plans to vary benefits in order to attract healthier than average enrollees. Additionally, the exchanges are expected to provide information about private health care plans that would enable consumers to make side-by-side comparisons and buy a plan that closely matches their needs.

Facing another dilemma

If a business keeps its insurance plan without making major changes to it, the health reform law recognizes that plan as grandfathered. That means the plan is exempt from complying with certain provisions of the health care law. For example, if a company maintains grandfather status, its health care plan is not required to offer free preventive medical care or provide guaranteed access to obstetricians, gynecologists or pediatricians.

Grandfathered plans also are not required to eliminate annual coverage limits.

Companies can lose their grandfathered status if their health care plans substantially reduce benefits, significantly increase copays or deductibles or cut lifetime coverage limits.

Whether your health care plan is grandfathered or not, all plans are required to comply with the reform law's provisions that kicked in earlier this year, such as covering children with pre-existing conditions, not canceling insurance when someone becomes ill, not imposing lifetime limits on coverage and extending coverage to adult children up to age 26.

"We're getting a lot of questions from businesses about whether or not they should maintain grandfather status on their plans," says Dillabaugh of Hylant. "The grandfather plans will only be allowed up to 2014 when the reform law requires all health care plans to comply with all of the law's provisions."

From a business standpoint, however, it may not matter if companies lose their grandfather status.

"If your company is facing a 30 percent premium increase, and another company is offering you a 15 percent premium for a

plan that is basically the same but means losing grandfather status, then it makes sense financially to make that change," says Dillabaugh.

A chance of repeal?

Although some hope the reform law will be repealed, it is unlikely with the U.S. Senate and White House controlled by Democrats. However, most observers believe certain parts of the bill will be altered over the next two years through bipartisan efforts.

For one, the Supreme Court will likely ultimately decide on the provision that requires most Americans to carry health insurance by 2014. In December, Virginia federal judge Henry E. Hudson declared it unconstitutional; however, two other federal judges had no problem with it.

Other items up for debate are the health reform's 1099 provision requiring businesses to file 1099 forms with the IRS when goods or services purchased from another business, even corporations, exceed \$600. The Congressional Budget Office estimated the 1099 rule would generate about \$17 billion over 10 years.

"What this 1099 provision would do is create a huge paperwork burden on all businesses," says Ashmus of Frantz Ward. "I think it is highly likely this provision will be repealed."

Nevertheless, for businesses there are still many unknowns about the health care reform law in part because many of its regulations are still being developed, and the political landscape may continue to change in 2012. "Obviously what happened in the last election could change things for the health reform law," says Randy Carpenter, senior director of marketing and public relations for COSE. "And the presidential election in two years could change the game again."

Related Taxonomy

- Best Practices Toolbox
- Health Care
- Insurance

Popularity:

This record has been viewed **53** times.

Comments:

Be the first to leave a comment.

Leave your comment

Name:

Email:

[Home](#)

[Home Page](#)

[Magazine](#)

- [Subscribe](#)
- [Features](#)
- [NEO Now](#)
- [Ohio Entrepreneur](#)
- [Columnists](#)
- [Special Section](#)
- [Archive](#)

[Events & Awards](#)

- [Business Hall of Fame](#)
- [Athena Awards](#)
- [Manny Awards](#)
- [NEO Success Awards](#)
- [Team NEO Economic Development Awards](#)
- [Northcoast 99 Awards](#)
- [Power 100](#)

[Resources](#)

- [Entrepreneur's Corner](#)
- [Leading Lawyers](#)

[Contact Us](#)

- [Advertise With Us](#)
- [Staff Contacts](#)
- [Employment Opportunities](#)

