



TO PROVIDE HEALTH INSURANCE OR NOT

New reform bill requires employers to perform cost-benefit analysis

By **ROBERT G. BRODY** and
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The new federal health-care bill will require employers to make a major decision: should they provide employees with “sufficient” health-care coverage, or should they just pay the penalties? The decision will require a serious cost-benefit analysis.

The bill, called the Health Care Reconciliation Act of 2010, signed into law on March 23, and its accompanying “fixes,” will have both positive and negative implications for employers.

The bill creates a new concept, called an insurance exchange. It will allow certain employees the option to take their employer’s health insurance coverage, or go into the “insurance exchange” to find a cheaper rate. The exchanges will be marketplaces for individuals and certain employers to come together and negotiate cheaper rates with health insurance companies.

Each state must set up its own exchange, or multiple states may create a regional exchange, to provide people with greater choice in coverage. The exchanges will be open to all people without qualifying coverage. Also, employers with fewer than 100 employees will be allowed to participate in the exchange. Starting in 2017, states may allow employers with 100 or more employees to participate in the exchange.

The bill has different provisions for

small and large employers, with the threshold for large employers being a company with 50 or more people.

Small Employers

- Employers with 10 or fewer employees and an average yearly wage of less than \$25,000 will get a tax credit of up to 35 percent of premium costs between 2010 and 2013, and 50 percent of premium costs after that. The credit will phase out if the employer expands or wages increase.
- Employers with 25 or fewer employees and an average yearly wage of \$50,000 or less could qualify for tax credits.
- If the employer’s plan is deemed too costly by the government, the employer must provide its employees with vouchers, equal in value to the amount the employer would have paid for coverage, so that the employees can purchase coverage through the insurance exchange. Such employees can receive a cash refund for the value of the voucher in excess of the premium obtained through the insurance exchange.

Large Employers

- If the employer does not provide any coverage, it will have to pay a penalty of \$2,000 per employee (the first 30 employees are excluded from the cal-



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ulation, so if the employer has 55 employees, it will pay for 25 employees, or \$50,000).

- If the employer provides coverage but it is deemed insufficient, the employer will pay a penalty of \$3,000 per employee who has to obtain government subsidies to buy his or her own insurance, or \$750 per full-time employee, whichever is less.
- The voucher requirements will also apply to larger employers that have “costly” plans.

For some employers, paying the penalties may be less expensive than providing all of their employees with sufficient insurance coverage. But this decision may involve more than costs. The decision is deeply dependent on the uniqueness of each employer. Consider, for example:

- What message does it send to current employees if no health insurance is pro-

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- vided by the company?
- What kind of employees will you attract if you do not offer coverage?
 - Is it part of your corporate responsibility to ensure your employees are provided with sufficient health coverage or
- does using the insurance exchange meet your corporate responsibility?
- The bottom line is that each employer must review the financial impact of this new mandate and decide if your choice will
- negatively impact the image of your company. And of course, we must all wait to see if any new amendments are implemented or if the November election so dramatically changes Congress that new legislation may replace this bill. Only time will tell. ■