

The effect of new health legislation on farms



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UWEX/WPVGA Grower Conference

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Why Me???



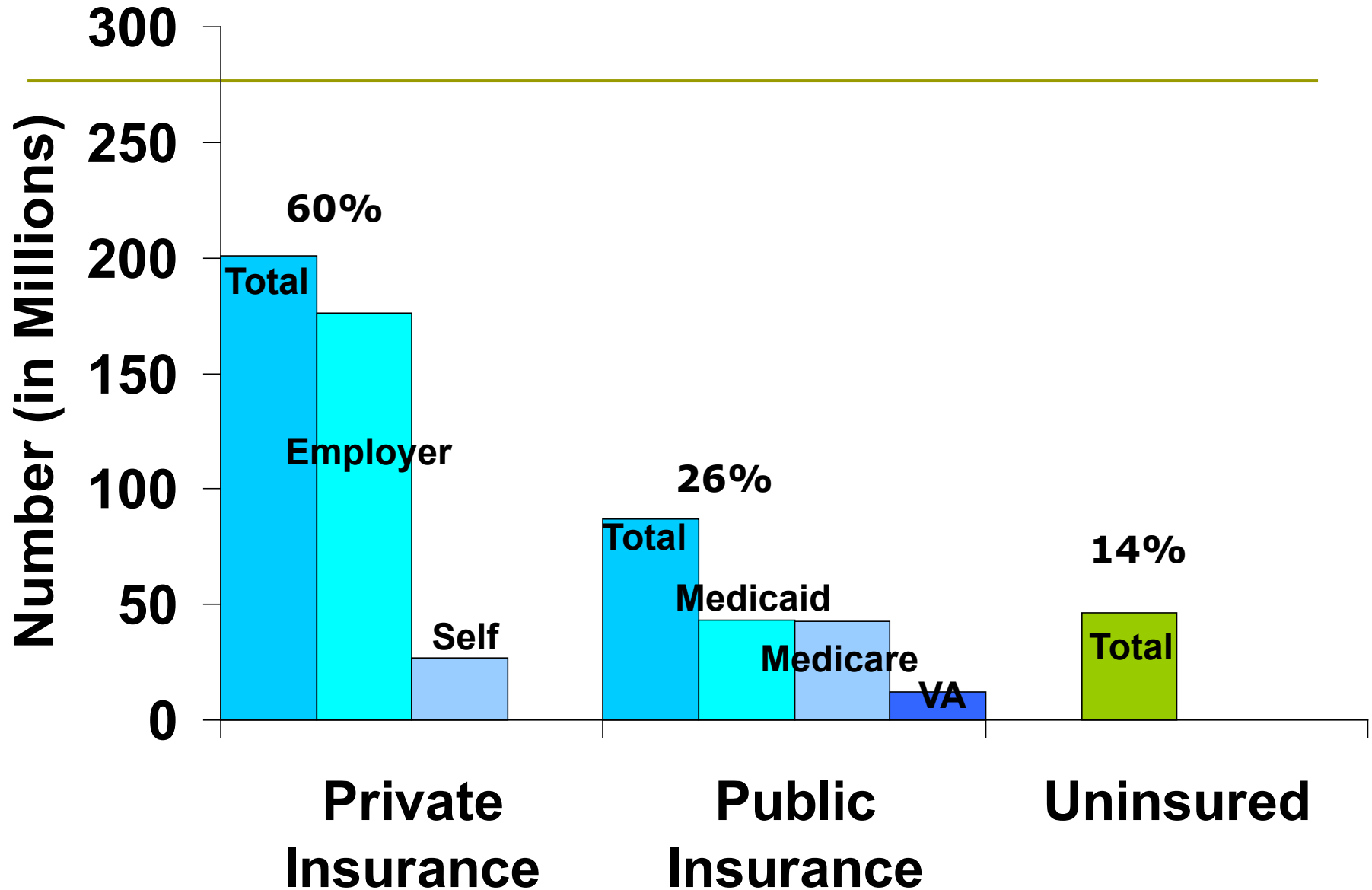
Goal Today

- Stick to the facts as I could best find them
 - Take a practical, not a political or policy, approach
 - Goals of law and impact on farmers/small business
- UWEX CNRD: Roberta Riportella, Consumer Science, Health Policy Specialist
 - Lots of outreach materials for extension specialists and agents to use
 - <http://fyi.uwex.edu/healthreform/educational-materials/>
- Center for Rural Affairs (Lyon, NE)
 - 5 page fact sheet
 - <http://files.cfra.org/pdf/Small-Business-Health-Care.pdf>

Overview of Talk

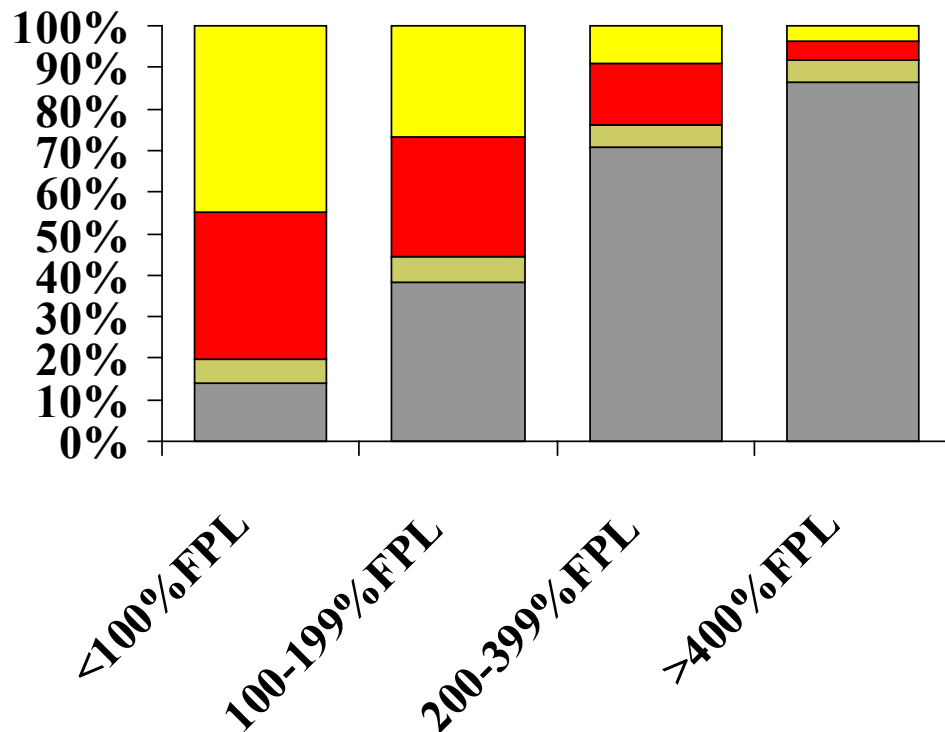
- Data on health insurance coverage
 - How many people currently are covered by what type of insurance
- {Patient Protection and} Affordable Care Act (ACA): Major changes required and/or offered
 - General provisions
 - Focus on farmers and small businesses
- If you want more information

US Health Insurance by Type



Sources of health insurance coverage, individuals under age 65, by family income, 2007

Source of Coverage by Income



In thousands of dollars

Kaiser Family Foundation: The Uninsured, a Primer. October 2008

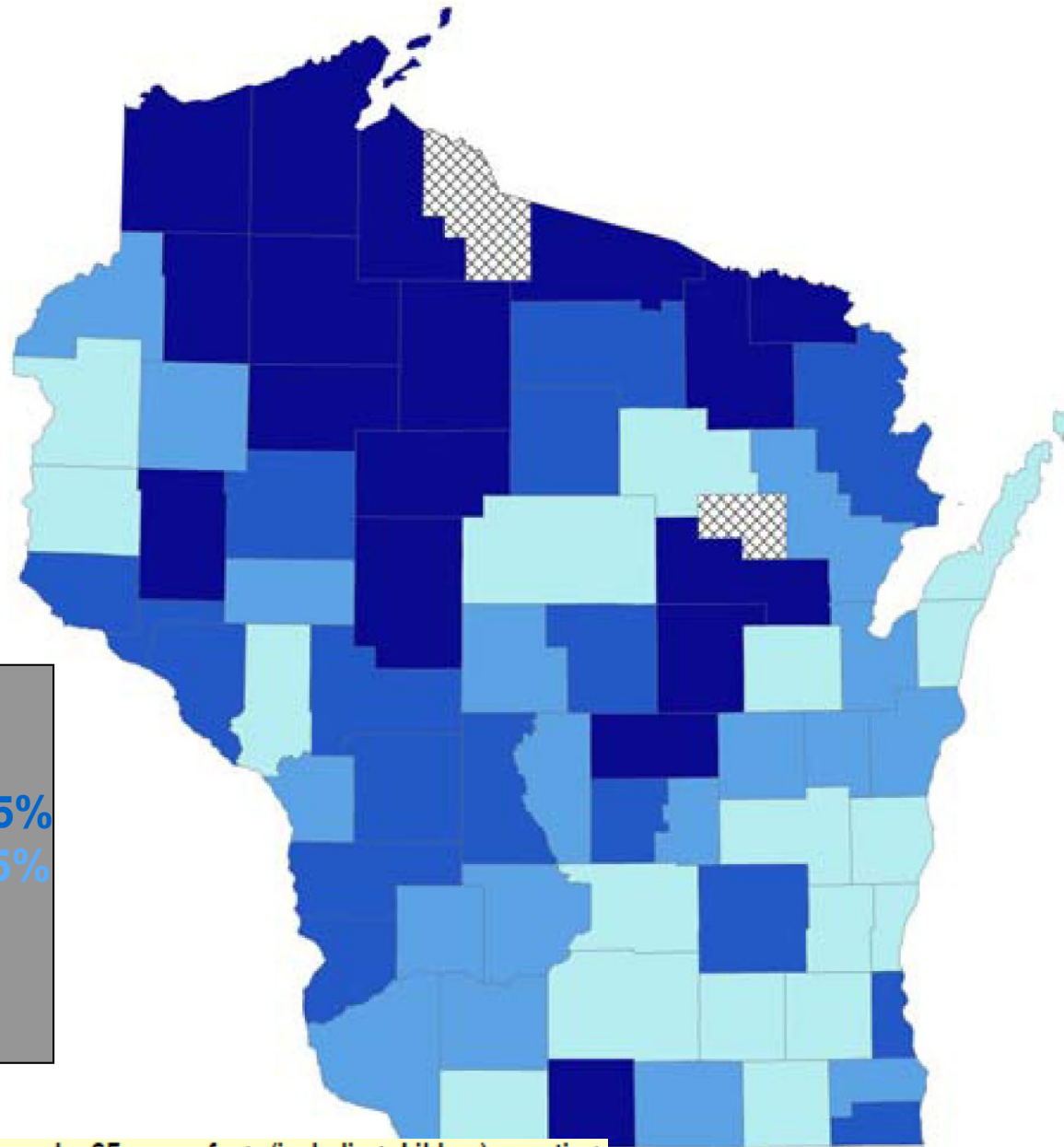
As family income increases, the likelihood of:

- Employment-based coverage increases
- Public coverage decreases
- Individual coverage is fairly constant
- Being uninsured decreases

What about Wisconsin?

- Ranked #1 nationally in quality
 - High levels of health information technology
 - High levels of physician/hospital integration
- Low per capita Medicare spending
- Low rate of uninsured (#2-4 nationally)
- 91% of all Wisconsinites insured
 - 74% ages 0-64 are covered by employer
 - Almost all 65+ covered in part by Medicare
- 9% (~500,000) uninsured, has increased with recession

Where are the
9% who are
uninsured?



Counties Color Key

Most uninsured 25%

Second most uninsured 25%

Second least uninsured 25%

Least uninsured 25%

Hatched=No data

No Health Insurance is the percentage of the population under 65 years of age (including children) reporting that they do not have health insurance coverage of any kind, including prepaid plans, HMOs, or government plans such as Medicare or Medicaid, at the time of the survey.

Source: R. Riportella

New Law's Goal

Increase coverage among the uninsured

- Move 32 million of 46 million to insurance to drop uninsured drop from 14% to 4%
- Mandated to buy coverage by Jan 2014
 - Tax penalties if do not, eventually fines
- Improve access to coverage
 - Insurance exchanges
 - Subsidize premiums if low income
 - Access to Medicaid if <133% FPL
- Estimated 125,000 in WI will gain access

New Law's Goal

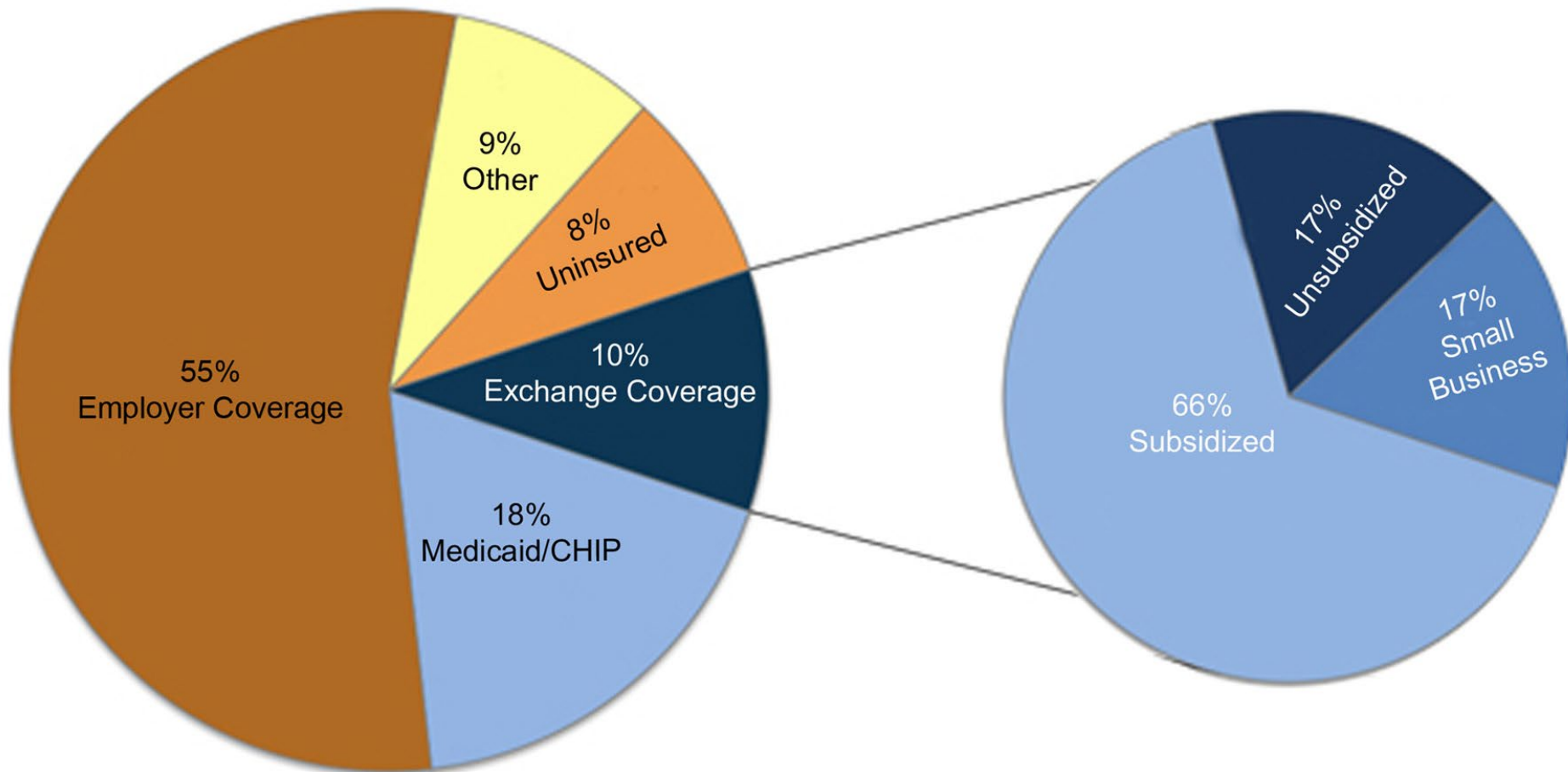
Improve quality of health insurance

- ❑ Create insurance Exchanges: Market where anyone can buy an insurance plan by 2014
- ❑ Goal: to improve access and increase competition, which should lower premiums
- ❑ Private companies offer competitively priced and vetted policies
- ❑ Like state/county employees: multiple insurers vie for their business, within minimum standards
- ❑ The larger the pool, the lower the premiums
- ❑ Allows multi-state pools, but some state laws will likely create problems

Exchanges help low income have access to affordable insurance to meet mandate

- ❑ Subsidies for individuals and families to buy into Exchanges (Jan. 2014) if between 133-400% FPL
- ❑ Publicly insured on BadgerCare may choose to use subsidies on Exchanges
- ❑ Uninsured not eligible for BadgerCare can use subsidies to help enter exchanges
- ❑ Parents, caregivers, and childless adults above 133% FPL may be shifted from BadgerCare to Exchanges
 - This may lead to higher costs for low-income adults
 - Parents & children may have different coverage plans

Sources of Coverage After Health Care Reform Implementation, 2019



New Law's Provisions

Improve quality of health insurance

- Patient Bill of Rights
- Made lots of rule changes
 - No exclusions for pre-existing conditions
 - Children immediately, adults Jan. 2014
 - Can't cancel policy
 - No lifetime limits or annual limits
 - Close Medicare drug coverage "donut hole"
 - Adult children on parent's policy until age 26

New Law's Provisions

Improve quality of health insurance

- Can choose any primary care doctor within provider network (not restricted)
 - No longer need referral for OB-GYN care
 - Some plans “grandfathered” in, may require referral
- Require preventive screenings
- Require preventive care for Medicare
- Medicare bonus for some doctors treating Medicare patients
 - 10% bonus primary care, 10% bonus if surgeon in health professional shortage area
 - Good for rural areas: better care

Small Business Questions

(Center for Rural Affairs)

- Small businesses receive tax credits
 - Self-employed sole proprietor do not qualify
- Debunks 4 “Myths” about the new law
 - Have to provide insurance to employees
 - Cannot afford insurance required to provide
 - Law won’t let small businesses pool together
 - Law will cause my taxes to go up

Myth: Small businesses have to provide health insurance to employees or face penalties

- ❑ General mandate requiring employers to provide insurance: “Shared Responsibility”
- ❑ If employ 50 or fewer full time equivalents (FTEs), exempt from mandate
 - If > 50 FTEs and do not provide insurance, charged a fee
- ❑ 95% of businesses are exempt
- ❑ Small businesses receive tax credit if provide health insurance to employees

Myth: Small businesses cannot afford to provide the required health insurance

- ❑ Small businesses receive tax credit if provide health insurance to employees
 - Initially 2010-2013, then for any two years once exchanges begin in 2014
- ❑ Eligibility for tax credit if provide insurance
 - Less than 25 FTEs and \$50,000 average wage
 - Pay at least 50% of premium
 - 25 to 50 FTEs not required to provide, no tax credit
- ❑ Tax credit uses sliding scale based on number employees and average salary
 - 35% max, if ≤ 10 employees and \$25,000 salary
- ❑ Tax credit serves as bridge to the Exchanges, so phased out over 6 years

Tax credit sliding scale

- ❑ Max is 35% in 2010 to 2013, if have ≤ 10 employees and $\leq \$25,000$ average salary
- ❑ Lose 2.33 percentage points for every employee over 10
- ❑ Lose 1.4 percentage points for every \$1000 increase in average
- ❑ Online calculator: enter FTEs, average salary, and insurance cost, calculates tax credit:
<http://www.cfra.org/node/2799>
- ❑ IRS Form 8941 now on web in draft
- ❑ Tax exempt businesses get up to 25% tax credit

Example Tax Credits

	Farm A	Farm B	Business C Tax exempt
Employees	10 full time	40 part time = 20 FTE	9 full time
Wages	\$250,000 = \$25,000/FTE	\$5000,000 = \$25,000/FTE	\$198,000 = \$22,000/FTE
Insurance Cost	\$70,000	\$240,000	\$72,000
2010 Credit	35%: \$24,500	35% w/ phase out due to # employees: \$28,000	25%: \$18,000
2014 Credit	50%: \$35,000	50% w/ phase out due to # employees: \$40,000	35%: \$25,200

Source: Bailey, Center for Rural Affairs

Myth: Law does not allow small business to pool together

- Health Insurance Exchanges are pools
 - Pool employees/owners from small businesses and self-employed to lower premiums
- Businesses of up to 100 employees can participate in the Exchange
- Small Business Health Options Program (SHOP): special small business Exchange
 - Can still use the larger general exchange

Myth: Law will cause my taxes to go up

- If > \$200,000 annual income (\$250,000 for couples)
 - 0.9% Medicaid surcharge
 - 3.8% Medicaid tax on unearned income (interest, dividends, capital gains, rents, etc.)
- Excise tax starting in 2018 on insurance companies offering high cost employer-sponsored programs
 - If charge > \$10,220 per employee or \$27,000 per family
 - Won't affect most small businesses

Summary

- ❑ Coverage for uninsured & improve quality of coverage for those with insurance
- ❑ Move about 10% of population w/out coverage to health insurance
 - Mandated coverage, face tax and eventually fines if do not
 - Subsidies for low income
- ❑ Patient Bill of Rights: rules changed
- ❑ Create Health Insurance Exchanges
 - Lower premiums for all, improved access

Summary

- Must provide health insurance if > 50 FTEs
- Small business tax credit if provide health insurance
 - 35% max w/ sliding scale to lower credit if > 10 employees and > \$25,000 avg salary
 - No credit once 25 employees/\$50,000 salary
 - 50% in 2014, temporary bridge to exchanges
- Tax increase (0.9%) to help pay for it if > \$200,000 individual, \$250,000 couple
 - 3.8% on unearned income

Questions?



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Federal Poverty Levels 2009

Family size	Federal Poverty Level	Monthly 115% FPL	Monthly 185% FPL	185% Annual Income	185% Hourly Income	200% Monthly Income	200% Annual Income	200% Hourly Income
1	\$10,830	\$1,038	\$1,670	\$20,040	\$10	\$1,805	\$21,660	\$10.41
2	\$14,570	\$1,396	\$2,246	\$26,952	\$13	\$2,428	\$29,136	\$14.01
3	\$18,310	\$1,755	\$2,823	\$33,876	\$16	\$3,052	\$36,624	\$17.61
4	\$22,050	\$2,113	\$3,399	\$40,788	\$20	\$3,675	\$44,100	\$21.20
5	\$25,790	\$2,472	\$3,976	\$47,712	\$23	\$4,298	\$51,576	\$24.80