

Insure Montana

Frequently Asked Questions: Insure Montana and the Affordable Care Act

What does the Affordable Care Act do for small businesses?

The Affordable Care Act offers small businesses a two-year tax credit for offering health insurance. Starting in 2014, this tax credit is only available to small businesses that purchase insurance through the SHOP exchange. This tax credit expires in 2016.

What is the SHOP exchange?

The ACA sets up two exchanges in every state: an individual market exchange and a SHOP exchange for small groups. Small businesses will have the option to purchase insurance through the SHOP exchange or in the open market. The ACA's two-year tax credits are currently available in the open market, but starting in 2014, the credits will only be available to businesses that purchase through the SHOP exchange. In the early years of the SHOP exchange, there may be only a handful of insurers participating, which could limit choices for small businesses.

How does the ACA tax credit compare to the Insure Montana Tax Credit program?

	Insure Montana Tax Credit program	ACA tax credit
Eligibility	<ul style="list-style-type: none">• 2-9 employees eligible to enroll in the group plan• No employee makes more than \$75,000 per year from the business (excludes owner)	<ul style="list-style-type: none">• Fewer than 25 eligible employees• No employee makes more than \$50,000 per year from the business• Cannot be a single-family business (employing only family members)
Employer Contribution	At least 50% of premium cost	At least 50% of premium cost
Maximum Credit	No more than 50% of employer contribution	No more than 35% of employer contribution -- cap raises to 50% in 2014
Sunset	None	2016
Refundable	Yes	No

If Insure Montana is eliminated, what assistance can Insure Montana businesses obtain through the ACA?

Insure Montana businesses would, at best, receive a two-year tax credit through the SHOP exchange. Generally, the SHOP tax credits are smaller than the credits currently offered through the Insure Montana Tax Credit program.

How many Insure Montana businesses receive the ACA tax credit?

It is not known how many Insure Montana businesses also receive the ACA tax credit, however, the ACA tax credit is set up to avoid providing a tax benefit in excess of the employer's contribution toward a health plan. Furthermore, about one-third of Insure Montana businesses are single-family businesses, which makes them ineligible for the ACA tax credit.

Will rates be cheaper in the SHOP exchange?

Community rating rules will require insurers to use a single risk pool for all of their small group market business, both in and out of the SHOP exchange. The rates in each insurer's risk pool will largely reflect the insurer's experience and ability to manage risk.

Why wouldn't small businesses drop coverage and leave employees to shop on the exchange?

Many Insure Montana businesses cite health benefits as a primary reason they are able to recruit and retain highly-qualified staff. Businesses that drop coverage will lose a valuable recruitment and retention tool.

Employees who lose their employer-sponsored coverage will no longer receive the benefit of pre-tax employer contributions toward premiums. Any additional wages employees receive to compensate for the shift away from employer-sponsored coverage will be taxable income.

If an employer drops their health insurance plan, the individual market exchange can provide premium assistance for employees in the form of advanceable tax credits based on projected income. This assistance is only available to individuals making less than 400 percent of the federal poverty level. If an employee earns more than the projection, the federal government may recoup excess advanced tax credits at the end of the tax year.

Employees who are near the 400 percent cutoff will be most affected by potential recoupment of excess tax credits. To avoid owing the IRS any excess tax credits, employees near the cutoff may choose to forgo the monthly installments of the advanceable tax credit. If their income does not exceed the cutoff at the end of the year, the employee can claim the full credit on their tax return.

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