



Communication to Ohio Business Leaders

May 19, 2010

Immediate Federal Health Care Reform Provisions Benefiting Ohio Businesses

The Ohio Department of Insurance is monitoring developments in federal health care reform under the Patient Protection and Affordable Care Act of 2010 (PPACA), as amended. Since several provisions in the PPACA benefit businesses, we wanted to make sure that Ohio businesses have information about these important provisions. We want to partner with you to ensure that Ohio businesses can take advantage of all of the opportunities afforded them through the PPACA. Two provisions of the PPACA that provide immediate benefits to business are the Reinsurance Program for Early Retirees and the Small Business Tax Credit Program, which are more fully explained below.

Five Billion Dollars Available to Help Employers Maintain Health Insurance for Early Retirees— If They Act Quickly

In an effort to encourage employers to continue to offer health insurance to early retirees, including spouses, surviving spouses and dependents, through the enactment of the PPACA, Congress has designated five billion dollars to fund an Early Retiree Reinsurance Program. This Program will temporarily reimburse the sponsors of employment-based health plans for 80 percent of the actual cost of medical claims for each early retiree, provided the claim is at least \$15,000. The maximum The Department of Health and Human Services (HHS) will reimburse a plan sponsor for the medical claims of one retiree is \$90,000 in a plan year.

Beginning June 1, 2010, HHS will have an application available for retiree plan sponsors to review program participation criteria. No word yet on when plan sponsors will be able to submit an application; however, HHS has set up a website for companies to review the application materials: www.hhs.gov/ociio. Since the program is set up on a rolling basis, it is essential for retiree-plan sponsors to apply as soon as the applications are available. The funds will be paid out on a first-come, first-paid.

The Ohio Department of Insurance will join with members of the Business community on June 11, 2010, for a public forum to discuss this program, as well as other benefits for employers under the PPACA. More information is forthcoming at www.healthcarereform.ohio.gov.

More details on this program and the public forum are available under the *Assistance for Employers* heading at www.healthcarereform.ohio.gov.

Small Businesses May Receive Both State and Federal Tax Credits

The Internal Revenue Service issued new guidance this week to make it easier for small businesses to determine whether they are eligible for the new health care tax credit under the PPACA and how large a credit they will receive. The guidance makes clear that small businesses receiving state health care tax

credits may still qualify for the full federal tax credit. Additionally, the guidance allows small businesses to receive the credit not only for regular health insurance but also for add-on dental and vision coverage.

[Notice 2010-44](http://www.irs.gov/pub/irs-drop/n-10-44.pdf), available at <http://www.irs.gov/pub/irs-drop/n-10-44.pdf>, provides detailed guidelines, illustrated by more than a dozen examples, to help small employers determine whether they qualify for the credit and estimate the amount of the credit. The notice also requests public comment on issues that should be addressed in future guidance.

The small business health care tax credit, which is in effect this year, is designed to encourage small employers to begin offering health insurance coverage for their employees and for those that offer coverage now, to continue offering coverage.

In general, the credit is available to small employers that pay at least half the cost of single coverage for their employees in 2010. The credit is specifically targeted to help small businesses and tax-exempt organizations that primarily employ moderate- and lower-income workers.

For tax years 2010 to 2013, the maximum credit is 35 percent of premiums paid by eligible small business employers and, for tax-exempt organizations, 25 percent of premiums paid by eligible employers. The maximum credit goes to smaller employers — those with 10 or fewer full-time equivalent (FTE) employees — paying annual average wages of \$25,000 or less. The credit is completely phased out for employers that have 25 FTEs or more or that pay average wages of \$50,000 per year or more. Because the eligibility rules are based, in part, on the number of FTEs, not the number of employees, businesses that use part-time help may qualify even if they employ more than 25 individuals.

Eligible small businesses can claim the credit as part of the general business credit starting with the 2010 income tax return filed in 2011. For tax-exempt organizations, the IRS will provide further information on claiming the credit. More details on this program are available under the Assistance for Employers heading at www.healthcarereform.ohio.gov.

Please feel free to share this communication with your members and ensure they are aware of the public forum on June 11, 2010. Watch the state's federal health care reform portal, www.healthcarereform.ohio.gov, for more details on these and other programs that will benefit Ohio businesses. If you have questions about these programs or the public forum, please email carly.glick@ins.state.oh.us.