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They liked their plans. And they are keeping them — for now

Small businesses reluctant to buy new health plans under federal reforms

HEALTH CARE

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A year into implementation of the Affordable Care Act, the implications for small businesses are only beginning to be seen.

Small businesses in Charlotte are showing scant interest in a federal program that lets them buy group plans online and receive tax credits. Nor are most small businesses excited about the new plans under Obamacare; they are instead opting to keep grandfathered plans as long as possible. Some see the federal exchange as a way to stop administering a plan altogether.

"They've had a preview of Obamacare, and most of them don't want to have anything to do with it because it costs them more," [Suzy Johnson](#), president and owner of Employee Benefit Advisors of the Carolinas, says of her client base of small and midsized businesses.

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Many small employers are operating under what's called "transitional relief," a term that came about last year after President Obama announced that those who liked their health-insurance plan could keep it under the new law.

Most small businesses were better off keeping their old policy last year, Johnson says. With as many as 92% of her clients remaining on an existing plan, she says the full impact of Obamacare on small business hasn't been realized.

Only those small firms with significantly older work forces and higher risk factors found Obamacare plans to be less expensive than their existing plans, Johnson says.

The grandfathered plans — in place before the law took effect — are slated to eventually expire unless Congress votes to extend relief. Being grandfathered, however, doesn't give plan sponsors free reign. The terms of the plans, such as employee co-pays, can't change significantly. The idea is that all plans eventually will meet federal standards.

Meanwhile, newly formed companies that don't have a grandfathered plan are dealing with the sticker shock of community-rated plans. In response to the ACA, some small businesses are discontinuing their group plan and moving toward allowing employees to buy individual coverage through the federal exchange. Employers like this approach because they can budget each year how much they will subsidize their employees without worrying about a yearly premium increase at renewal time. The premiums can vary wildly.

"By setting up this methodology, they are creating a little stability within their cost structure," says Greg Clarke, senior benefit consultant at Benefit Controls of the Carolinas.

They also are relieved from the burden of administering the employer-sponsored plan. They don't worry about collecting payroll deductions or ensuring an employee has access to a COBRA plan after leaving a job. And employees are more likely to qualify for subsidies than the business.

"That's the single most popular conversation we're having with our employers," Clarke says. While some made the change to send employees to the individual marketplace, most did not. Still, he says, that option is gaining the attention of employers.

The Internal Revenue Service, U.S. Department of Health and Human Services and U.S. Department of Labor announced last fall that employers can't compel employees to buy health insurance on an exchange. Any money paid to employees to reimburse them for buying coverage on an exchange must be after-tax dollars, the agencies ruled.

The federal Small Business Health Options Program website that debuted last fall was supposed to function like the federal exchange for individuals. But it hasn't had much appeal among Charlotte small businesses, consultants say.

SHOP was designed to create a marketplace in which small businesses could pool for coverage, prompting insurers to offer better plans with more affordable terms than what a firm could get on its own. But local insurance brokers say there's no price difference between the SHOP plans and what they can offer privately. The only reason to go through SHOP is to receive a tax credit, which is more generous the smaller the employer and the lower the employee wages. The best tax credits go to companies with fewer than 10 employees that pay an average yearly wage of \$25,000 or less. Not many employers in Charlotte fit that description while also offering health benefits.

"I don't have a single small employer that has coverage through the SHOP due predominantly to the fact that the average wage base has kept most of them from participating," Clarke says.

The SHOP plans have grown to 15 this year from six last year. Blue Cross and Blue Shield of North Carolina remains the lone insurer offering plans, which diminishes price competition.

"The only reason to buy through SHOP is to qualify for the small-business tax credit," Johnson says. Most employers find they can buy a cheaper plan away from SHOP and offset the loss of the tax credit through lower premiums.

"It's a lot of paperwork to go through for what is ultimately a very small tax credit," says Lee Dixon, project director for N.C. Get Covered, a nonpartisan initiative funded by Kate B. Reynolds Charitable Trusts. The organization serves as a statewide source of information about the ACA for individuals and small businesses.

The biggest change for ACA on the horizon deals with its treatment of small business. After President Obama said, "If you like your plan, you can keep your plan" his administration offered transitional relief to companies of up to 50 employees. That allowed small employers to renew an existing policy instead of buying an Obamacare plan. This year, the relief was expanded to include businesses with up to 100 employees. While federal guidelines may change, this relief is set to end in 2018.

"We are explaining how important their plan selection is this year," Johnson says. "The vast majority of companies are kicking the can down the road in hopes that something significant might happen. I think it's crazy to think the law is going to go away, but I do think some serious tweaks could make it more market-friendly."

Those tweaks include changing the definition of full-time worker to 40 hours a week from 30 hours, which determines which employers must receive benefits. The rule has made health-care reform difficult for employers with many part-time workers.

The change has bipartisan support, albeit for different reasons. Conservatives like the idea because it would mean employers have to offer coverage to fewer employees. Liberals favor the changes because it means more people will likely be eligible to buy insurance on the exchange and potentially receive a federal subsidy.

"It still stirs the pot," Dixon says.

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