

A POSITIVE for PPACA



with zach harris

WHILE MUCH HAS been debated concerning the Patient Protection and Affordability Care Act (PPACA), a.k.a. “Obamacare” and there has been a lot of negativity surrounding this particular piece of legislation, a few bright spots could hold a positive impact on the local small business community.

The primary focus of the insurance industry and media has been on larger businesses, especially the penalties and fees that could affect these large well-known companies. Little discussion has occurred regarding the impact of this bill on the small business owners, defined as those with less than fifty employees. These are the businesses comprising a large majority of the economy throughout the Midwest.

Our business at Swartzbaugh-Farber is to help employers and their employees navigate the PPACA regulations. In addition, we are a small business offering employee benefits, and face the same issues and decisions as every other employer. In our dealings with the small business community, the discussion often turns to PPACA. Our first question is why do these businesses offer employee benefits now? In the current environment and under this new law these small business are not forced to offer medical coverage, so why do it in the first place?

The reasons vary but the most common are to attract and retain the best employees and make sure their employees are healthy and productive. One reason that caught me by surprise was that the owner bought group coverage because of some pre-existing conditions that would preclude him/her from obtaining coverage under an individual plan. Under the current environment, in order to obtain individual insurance, you must pass through the underwriting process.

This concept of coverage of pre-existing conditions and the fact that under “Obamacare” there will no longer be these limitations on any medical insurance may change the way in which these business provide benefits to their employees. Combining the new pre-existing condition situation with the fact that small employers are not required to provide ‘group’ medical insurance allows more choice than ever before for these companies.

While there are premium subsidies (through a tax credit) available to a large section of the small business employees, we find that these companies still want to offer something by way of a ‘benefit plan’. Many employers’ mantra of “I will pay them some money and let them go to an exchange to purchase coverage” changes quickly once we discuss the possible impacts of that option on the employees.

A small employer can in essence duplicate what a premium subsidy does for an employee by using pre-tax accounts mixed with employer contributions, through what we call a ‘defined contribution’ plan. Each employee can elect to have a plan more tailored to each individual’s situation. We actually find that this in many cases is also cost effective for the employer and offers these companies something they have never had before, the ability to budget for employee benefits for multiple years without the pain of unpredictable premium increases on a group plan.

The specifics of PPACA are very complicated and take more than just some light reading in a popular periodical. In turn, this defined contribution process has many intricate moving parts, actually made easy with the right benefits advisor. The reality of the situation is that “Obamacare” is going to cause a change in outlook in the employee benefits community and much of the change will be viewed as negative. However, for the small employer who wants to continue to provide benefits for their employees, with the proper guidance and solutions this legislation just may be a welcome relief.

For more information, please contact your trusted advisor at Swartzbaugh-Farber – ‘Client Centered – Client Advocates™’.