



Membership Advisory

Healthcare Update

A lot has been written and reported on the newly passed health care bill, but there remains many questions about "How the health care bill is going to specifically affect small businesses such as marine retailers?"

MRAA has provided a bullet point summary of the health care bill to help address this question. It has been prepared by the Norman-Spencer Insurance Agency.

However, MRAA also wants to highlight some very specific aspects of the new law in this opening introduction. As you will note, the law goes into effect in several stages over several years. For example, in 2010, there is no real effect on small business, except a tax credit becomes available of up to 35% of the company's health care cost through 2012 when the insurance exchanges go into effect. This tax credit is for small businesses which already provide health care coverage of employees and begins to phase out when the number of employees reach 25.

In addition, the Medicare tax on wages rises from 1.45% to 2.35% in 2013 and small businesses with fewer than 50 employees are not required to have health insurance for employees. Businesses with greater than 50 employees that do not provide health care coverage must pay a fine up to \$3,000 per employee over 30 employees. Government subsidies to small business increase in 2014, for example, businesses with 10 or fewer employees and average annual wages of less than \$20,000 receive a tax credit of up to 50% of the employer's contribution.

Many of the provisions of the health care law are being challenged in courts, state legislatures, and on Capitol Hill in Washington. It is unclear how it will shake out over the next few years, but MRAA will continue to closely watch the developments.

Health insurance law changes:

2010

- Subsidies begin for small businesses to provide coverage to employees.
- Insurance companies barred from denying coverage to **children** with pre-existing illness. Adults are NOT covered for pre-ex on **individual** plans until 2014.
- Children permitted to stay on their parents' insurance policies until their 26th birthday.

2011

- Set up long-term care program under which people pay premiums into system for at least five years and become eligible for support payments if they need assistance in daily living.
- Taxes and fees
- Drug makers face annual fee of \$2.5 billion (rises in subsequent years). No prohibition for direct pass through of costs to consumers.

2013

Taxes and fees

- New Medicare taxes on individuals earning more than \$200,000 a year and couples filing jointly earning more than \$250,000 a year.
- Tax on wages rises to 2.35% from 1.45%.
- New 3.8% tax on unearned income such as dividends and interest.
- Excise tax of 2.9% imposed on sale of medical devices.
- Cost control
- Medicare pilot program begins to test bundled payments for care, in a bid to pay for quality rather than quantity of services.

** 2014 **

- Create exchanges where people without employer coverage, as well as small businesses, can shop for health coverage. Insurance companies barred from denying coverage to anyone with pre-existing illness.
- Requirement ("**Individual Mandate**") begins for most people to have health insurance. Subsidies begin for lower and middle-income people. People at 133% of federal poverty level pay maximum of 3% of income for coverage. People at 400% of poverty level pay up to 9.5% of income. (Poverty level currently is about \$22,000 for a family of four.)
- Medicaid, the federal-state program for the poor, expands to all Americans with income up to 133% of federal poverty level.
- Subsidies for small businesses to provide coverage increase. Businesses with 10 or fewer employees and average annual wages of less than \$25,000 receive tax credit of up to 50% of employer's contribution. Tax credits phase out for larger businesses.
- Taxes and fees
- Employers with more than 50 employees that don't provide affordable coverage must pay a fine if employees receive tax credits to buy insurance. Fine is up to \$3,000 per employee, excluding first 30 employees.
- Insurance industry must pay annual fee of \$8 billion (rises in subsequent years).
- Cost control
- Independent Medicare board must begin to submit recommendations to curb Medicare spending, if costs are rising faster than inflation.

2016

Taxes and fees

- Penalty for those who don't carry coverage rises to 2.5% of taxable income or \$695, whichever is greater.

2017

- Businesses with more than 100 employees can buy coverage on insurance exchanges, if state permits it.

2018

Taxes and fees

- Excise tax of 40% imposed on health plans valued at more than \$10,200 for individual coverage and \$27,500 for family coverage.

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