

## CONNECTING CALIFORNIA CHILDREN TO HEALTH COVERAGE THROUGH SMALL BUSINESSES



As we enter a world where most Californians are eligible for health coverage as a result of the Patient Protection and Affordable Care Act (ACA), small business can play a critical role in helping to realize the promise of health care reform, particularly around connecting children to health coverage. Currently, one-third of uninsured children have a parent working in a small business.<sup>1</sup>

This brief outlines the opportunities for small business employers to connect their employees and dependent children to health coverage. Because of certain provisions in the ACA that first took effect earlier in 2016, this is a time when more people, especially those in the small business community, are paying attention to the legal landscape of the employer mandate and provisions in the Small Business Health Options Program (SHOP). Therefore, there is an opportunity to equip small business employers with the tools they need to educate their employees about coverage options for the entire family.

### SMALL BUSINESS AND HEALTH COVERAGE FOR DEPENDENT CHILDREN

Over the past few years, California has made major headway in increasing coverage enrollment for children. With the signing of Senate Bill 75 in 2015, undocumented immigrant children will soon be eligible for Medi-Cal. Nevertheless, there are still about 437,000 children who are uninsured and 298,000 of these children are eligible for Medi-Cal.<sup>2</sup> Community organizations, children and health advocates, and other stakeholders are working to reach the last few eligible but uninsured children.

Small business presents one of the biggest opportunities to reach the remaining uninsured children. About 32 percent of uninsured children in California have a parent working for a small business.<sup>3</sup> In California, 70 percent of employees of small businesses—those who work in small businesses with 49 or fewer workers—are not likely to have health insurance, as their employers are not required to provide insurance under the ACA.<sup>4</sup> Although many small businesses are not tied to the employer mandate, there are benefits, such as subsidies through Health Insurance Marketplaces for small businesses that could be of value to them and their employees if they opt to offer coverage.

Furthermore, small business employers that opt not to provide insurance to their employees and their families can utilize the relationship they have with their employees to share information about available individual health coverage options through Covered California and Medi-Cal. Many employees working in small businesses and their dependent children may be eligible for subsidies through Covered California and/or free or low-cost health coverage through Medi-Cal. Uninsured children, especially, may be eligible for Medi-Cal. Small businesses can serve as an ideal avenue for informing families about their children's

eligibility for Medi-Cal, as well as options for parents, and connecting them to health coverage enrollment assistance.

## HEALTH COVERAGE MANDATE FOR BUSINESSES: WHO IT APPLIES TO AND WHEN IT TAKES EFFECT

Currently, under the ACA, US citizens are required to have health insurance, and those who do not have insurance face a tax penalty. While a percentage of individuals purchase health insurance on their own, most people in the United States obtain health insurance coverage through their place of employment. In 2015, among firms offering health benefits, 63 percent of workers are covered by health benefits through their own employer.<sup>5</sup>

### Essential Health Benefits<sup>6</sup>

*The ACA requires that all health insurance plans offered in the individual and small-group markets provide a comprehensive package of items and services, known as essential health benefits. These include:*

- *Ambulatory patient services;*
- *Emergency services;*
- *Hospitalization;*
- *Maternity and newborn care;*
- *Mental health and substance use disorder services, including behavioral health treatment;*
- *Prescription drugs;*
- *Rehabilitative and habilitative services and devices;*
- *Laboratory services;*
- *Preventive and wellness services and chronic disease management; and*
- *Pediatric services, including dental and vision care.*

On October 7, 2015, President Obama signed into law H.R. 1624, which gives states the option to expand the small group market to include businesses with up to 100 employees in 2016. In California, state legislation has been passed to define small business as those with up to 100 employees starting January 1, 2016.<sup>7</sup> Additionally, beginning in 2016, businesses with 50 or more full-time or full-time equivalent (FTE) employees are required to provide health insurance to their employees under the employer mandate provision of the ACA, while small businesses—with 49 or fewer full-time employees—are not subject to this mandate. A full-time employee is employed at least 30 or more hours per week. Full-time equivalent employees are a combination of employees each of whom individually are not employed at least 30 or more hours per week, but who, in combination, are counted as the equivalent of a full-time employee.<sup>8</sup> To assist these small businesses in insuring their workforce, the federal Small Business Health Options Program Marketplace (SHOP) was created to help employers with financial assistance as well as health insurance options. California created its own marketplace for small businesses, called Covered California for Small Business (CCSB).

### A Brief History

- After the launch of the federal SHOP exchange in 2013, employers experienced significant technical difficulties in the enrollment process. Administrators have been working on rebuilding an operational web portal so that it works better for users. Furthermore, an increased number of brokers have been certified to sell through the exchange and aid with site difficulties employers may face when applying through SHOP.<sup>9</sup> For business owners, SHOP is the only place for employers to receive a tax credit, it provides employees choice, and it is a way for employers to recruit and retain talent by providing health insurance for their employees.
- Between 2010 and 2013, a federal tax credit of up to 35 percent was available for small businesses. Since then, small businesses with 25 or fewer FTE employees have the opportunity to receive a 50 percent tax credit (35 percent for tax-exempt employers). Employers with 10 or fewer FTE employees qualify for the maximum credit.
  - Tax credits are offered on a sliding scale depending on number of employees and average salary.
  - The federal tax credit is only available for two consecutive years.
- In previous years, businesses with 50 to 99 FTE employees were not obligated to provide health insurance to their employees. Beginning in 2016, these businesses will be required to provide insurance.
- While businesses with 51 to 100 FTE employees were not able to purchase group insurance through CCSB before, eligibility guidelines will change to include these businesses starting in 2016.
  - Although these businesses with 50 to 100 FTE employees may not receive a tax credit through CCSB, they will be able to benefit from the CCSB Marketplace (see pull-out box), rather than purchasing directly from an insurance company.
- Large businesses are required to offer dependent coverage up to the age of 26. The employer does not have to pay for or contribute towards the coverage, but they do need to at least offer it.
- In July 2015, the Internal Revenue Service (IRS) issued a regulation to ensure that employees are receiving comprehensive health coverage with all the essential health benefits. The rule prohibits arrangements where the employer does not establish a health insurance plan for its own employees but, instead, reimburses those employees for premiums they pay for health insurance.<sup>10</sup>

### THE OPPORTUNITIES FOR SMALL BUSINESSES TO CONNECT EMPLOYEES AND THEIR FAMILIES TO HEALTH COVERAGE

Among making payroll, paying rent, ordering inventory, and any number of other financial commitments needed to keep a small business running, purchasing health insurance for employees may be financially difficult for small business employers. There are two critical

opportunities for small businesses to help their employees and their families get health coverage.

## 1. Employers can enroll in Covered California for Small Business (CCSB)

### **5 Benefits of the CCSB Marketplace<sup>1</sup>**

1. **Everything is online.** Visit [coveredca.com/small-business](http://coveredca.com/small-business) to apply through the CCSB Marketplace, choose a plan or plans, complete coverage offers, manage employee participation, and pay premiums. Employee enrollees can apply online too.
2. **There are flexible coverage options.** Employers can control the coverage they offer and how much they pay toward employee premiums. Employers choose whether to offer dependent coverage and dental insurance. They choose how long their employees' open enrollment period is and the waiting period before new employees can enroll.
3. **There's help to apply and enroll.** Licensed agents and brokers registered to work with the CCSB Marketplace can help employers apply for and enroll in coverage. Employers can also continue to use their current agent or broker as long as they complete the CCSB Marketplace registration requirements. Working with a CCSB-registered agent or broker doesn't cost the employer or their employees. When they apply, they can search for agents and brokers registered to sell CCSB Marketplace plans by name and ZIP code.
4. **Employees get choices.** In California, employers have the option to choose a coverage category—like Bronze or Silver—and let their employees select a plan that meets their needs within the category.
5. **Employers may be eligible for a tax credit.** The CCSB Tax Credit Estimator can help determine if the business may qualify for the Small Business Health Care Tax Credit worth up to 50 percent of the employer's premium costs. The tax credit is available only for plans bought through the CCSB Marketplace and is based on the total number of FTE employees and average employee salary. In addition, the premium amount paid is tax deductible.

## 2. Employers can educate employees about affordable health coverage opportunities for themselves and their families through Covered California and/or free or low-cost health coverage through Medi-Cal.

Families and individuals may qualify for financial help:			
	If 2016 household income is less than...		If 2016 household income is between...
1	\$16,395	\$31,601	\$16,395-\$47,080
2	\$22,108	\$42,614	\$22,108-\$63,720
3	\$27,821	\$53,626	\$27,821-\$80,360
4	\$33,534	\$64,638	\$33,534-\$97,000
5	\$39,248	\$75,651	\$39,248-\$113,640
6	\$44,961	\$86,663	\$44,961-\$130,280
	Adults may be eligible for <b>Medi-Cal</b>	Children may be eligible for <b>Medi-Cal</b>	May be eligible for financial help to purchase insurance through <b>Covered California</b>
<i>Income-eligible undocumented children will qualify for Medi-Cal beginning in May 2016.</i>			

## HOW SMALL BUSINESSES CAN HELP

The Children's Partnership is partnering with Small Business California, Small Business Majority, Health Law Guide for Business, The California Endowment, Covered California, and other partners to equip small businesses with the tools they need to connect employees and their families to coverage. We created a flyer and an envelope stuffer to help small businesses inform families about their coverage options. Our resources outline options for small businesses to benefit from tax credits to offer health coverage to employees or to provide information to employees about health coverage options for themselves and their children through Medi-Cal or Covered California.

To learn more and download the resources, visit:  
[www.childrenspartnership.org/smallbusinessforkidshealth](http://www.childrenspartnership.org/smallbusinessforkidshealth).

### About The Children's Partnership

*The Children's Partnership (TCP) is a research, policy, and advocacy organization working to ensure that all children, especially those at risk of being left behind, have the opportunities and resources they need to grow up healthy and lead productive lives. Since 1993, we've served as a trusted resource on recognizing what is needed now to improve the well-being of children today and tomorrow. TCP works in California and nationally with staff in Santa Monica, Sacramento, and Washington, DC.. For more information, please visit [www.childrenspartnership.org](http://www.childrenspartnership.org). Follow us on Twitter: [@kidspartnership](https://twitter.com/kidspartnership). Like us on Facebook: [The Children's Partnership](https://www.facebook.com/TheChildrensPartnership)*

Appendix:  
Health Coverage Requirements and Eligibility for Covered California for Small Business

Small employers looking to provide coverage for their employees can do so through CCSB, part of the new Health Insurance Marketplace.

Employer Size	Employer Mandate	Access to CCSB	Access to Small Business Tax Credit <sup>12</sup>	Informing Requirement
> 100	Yes	CCSB is not available for small business with more than 100 FTEs.	No	While employers with 100 or more FTE employees are required to provide health insurance, they still need to provide their employees with a notice about Covered CA. The notice should inform employees: <ul style="list-style-type: none"> <li>About Covered CA;</li> <li>That, depending on their income and what coverage may be offered by the employer, they may be able to get lower-cost private insurance in the Marketplace or be eligible for Medi-Cal; &amp;</li> <li>That if they buy insurance through the Marketplace, they may lose the employer contribution (if any) to their health benefits.</li> </ul>
50 – 100	Yes	Year round	While firms of this size may not receive a tax credit, they will be able to take advantage of the benefits offered to small businesses through CCSB, rather than purchasing directly from an insurance company.	While employers with 50 or more FTE employees are required to provide health insurance in 2016, they still need to provide their employees with a notice about Covered CA. The notice should inform employees: <ul style="list-style-type: none"> <li>About Covered CA;</li> <li>That, depending on their income and what coverage may be offered by the employer, they may be able to get lower-cost private insurance in the Marketplace or be eligible for Medi-Cal; &amp;</li> <li>That if they buy insurance through the Marketplace, they may lose the employer contribution (if any) to their health benefits.</li> </ul>
25 – 49	No	Year round	Tax credits are available for small businesses on a	If an employer opts to not offer coverage him/herself, or doesn't

			sliding scale depending on the number of employees and average annual wages. The CCSB web portal provides a tax credit estimator that small businesses can use to see if they qualify for a health care tax credit.	qualify for a tax credit, they are required to notify employees of coverage options available through Covered CA.
11 – 24	No	Year round	<p>To qualify for the tax credit, all of the following must apply:</p> <ul style="list-style-type: none"> <li>▪ A company with 25 or fewer FTE employees with an average employee salary of about \$50,000 per year or less.</li> <li>▪ The employer must pay at least 50% of the FTE employees' premium costs. (Employer doesn't need to offer coverage to part-time employees, or to dependents to qualify for the tax credit.)</li> <li>▪ The employer must offer coverage to FTE employees through CCSB.</li> </ul>	If an employer opts to not offer coverage him/herself, or doesn't qualify for a tax credit, they are required to notify employees of coverage options available through Covered CA.
<10	No	Year round	<p>Small businesses with 10 or fewer FTE employees are most likely to be able to get the full 50% tax credit (35% for tax-exempt employers) to cover employers' premium contribution.</p> <p>To qualify for the tax credit, all of the following must apply:</p> <ul style="list-style-type: none"> <li>▪ A company with 10 or fewer FTE employees with an average employee salary of about \$25,000 per year or less.</li> <li>▪ The employer must</li> </ul>	If an employer opts to not offer coverage him/herself, or doesn't qualify for a tax credit, they are required to notify employees of coverage options available through Covered CA.

			<p>pay at least 50% of the FTE employees' premium costs. (Employer doesn't need to offer coverage to part-time employees, or to dependents to qualify for the tax credit.)</p> <ul style="list-style-type: none"> <li>▪ The employer must offer coverage to FTE employees through CCSB.</li> </ul>	
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<sup>1</sup> UCLA Center for Health Policy Research, AskCHIS 2014, “Currently Insured Compared by Business/Company Size (0-18),” exported on September 2, 2015.

<sup>2</sup> UCLA Center for Health Policy Research, AskCHIS 2014, “Eligibility of Uninsured under 65 for Medi-Cal (MAGI guidelines),” exported on March 8, 2016.

<sup>3</sup> UCLA Center for Health Policy Research, AskCHIS 2014, “Currently Insured Compared by Business/Company Size (0-18),” exported on September 2, 2015.

<sup>4</sup> California HealthCare Foundation, “Employed But Uninsured” (December 2013), accessed March 10, 2016, <http://www.chcf.org/~media/MEDIA%20LIBRARY%20Files/PDF/PDF%20E/PDF%20EmployedButUninsuredInfographic2013.pdf>.

<sup>5</sup> Kaiser Family Foundation, “2015 Employer Health Benefits Survey” (September 2015), accessed October 5, 2015, <http://kff.org/report-section/ehbs-2015-section-two-health-benefits-offer-rates>.

<sup>6</sup> Covered California, “Essential Health Benefits,” accessed March 11, 2016, [www.coveredca.com/individuals-and-families/getting-covered/coverage-basics/essential-health-benefits](http://www.coveredca.com/individuals-and-families/getting-covered/coverage-basics/essential-health-benefits).

<sup>7</sup> California Healthline, “Obama Signs Bill To Stop ACA’s New Definition Of Small Businesses” (October 2015), accessed October 7, 2015, <http://www.californiahealthline.org/articles/2015/10/8/obama-signs-bill-to-stop-acas-new-definition-of-small-businesses>.

<sup>8</sup> US Internal Revenue Service, “Questions and Answers on Employer Shared Responsibility Provisions Under the Affordable Care Act,” accessed July 15, 2015, <http://www.irs.gov/Affordable-Care-Act/Employers/Questions-and-Answers-on-Employer-Shared-Responsibility-Provisions-Under-the-Affordable-Care-Act>.

<sup>9</sup> Leif Wellington Haase, David Chase, and Tim Gaudette, “Lessons Learned From the Small Business Health Options Program” (August 2015), accessed March 11, 2016, [http://www.commonwealthfund.org/~media/files/publications/fund-report/2015/aug/1833\\_haase\\_lessons\\_shop\\_calif\\_colo.pdf](http://www.commonwealthfund.org/~media/files/publications/fund-report/2015/aug/1833_haase_lessons_shop_calif_colo.pdf).

<sup>10</sup> US Internal Revenue Service, “Employer Health Care Arrangements,” accessed March 11, 2016, <http://www.irs.gov/Affordable-Care-Act/Employer-Health-Care-Arrangements>.

<sup>11</sup> US Medicare & Medicaid Services, “Overview of the SHOP Marketplace,” accessed March 11, 2016, [www.healthcare.gov/small-businesses/provide-shop-coverage/shop-marketplace-overview](http://www.healthcare.gov/small-businesses/provide-shop-coverage/shop-marketplace-overview).

<sup>12</sup> Health Law Guide For Business, “Toolkit for Small Business Owners,” accessed July 15, 2015, <http://www.healthlawguideforbusiness.org/toolkit>.