



Iowa's Small Businesses and Health Reform

Small businesses have been underserved by the present health care system. The Affordable Care Act (ACA) — the health reform law passed by Congress and signed by the President last March — contains measures to help small businesses and their employees get affordable health insurance coverage.

Employment has traditionally been the avenue by which Americans get their health insurance benefits. Small businesses however, are far less likely to offer health insurance to their employees.¹ Health insurance premiums have risen so steeply that many small businesses in Iowa say they simply cannot afford it.²

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New Options Under Health Reform

The ACA contains a number of provisions designed to help small businesses and their employees get quality, affordable options. Starting in 2014, small businesses will be able to find more options in a new health insurance marketplace called a Health Benefits Exchange. Within the exchange, small businesses will pool risk, reduce administrative costs, gain economies of scale, and pool their market leverage. The online marketplace will feature tools to allow business owners to compare the price, provider networks, and covered benefits of different plans.³

Though the new marketplace is still on the horizon, the ACA has already begun working to help small businesses get health insurance. In September 2010, businesses with 25 or fewer full-time equivalent employees that covered at least half of their employees' premium costs became eligible for newly created tax credits. Depending on the firm's size and the employees' average taxable pay, the credit may be worth up to 35 percent of the premium's cost.⁴ In 2014, the credit increases to a maximum value of 50 percent of the premium cost.

Conclusion

Though small businesses have not been well-served by the present insurance system, provisions in the Affordable Care Act help small businesses and their employees find quality insurance options. Small businesses will be able to shop for insurance in marketplaces called exchanges starting in 2014. The ACA also created tax credits, now available, for small businesses that cover at least half of the cost of their employees' coverage.

¹ Agency for Healthcare Research and Quality. *Percent of private-sector establishments that offer health insurance by firm size and State* (Table II.A.2), years 1996-2009). Medical Expenditure Panel Survey Insurance Component Tables. Generated using MEPSnet/IC. <http://www.meps.ahrq.gov/mepsweb/data_stats/MEPSnetIC.jsp> (March 11, 2011).

² For premium increases, see Kim Bailey, "Costly Coverage: Premiums Outpace Paychecks in Iowa," Families USA, August 2009. <<http://familiesusa2.org/assets/pdfs/costly-coverage/iowa.pdf>>. For Iowa small businesses, see "Iowa Survey: Small Businesses Need Healthcare Reform," Small Business Majority. July 9, 2009. <http://www.smallbusinessmajority.org/_pdf/Iowa_research_report_062209.pdf>.

³ For more on exchanges, see "What is a Health Benefits Exchange? Understanding a Key Component of the New Health Law," Iowa Fiscal Partnership, February 17, 2011. <<http://www.iowafiscal.org/2011docs/110217-IFP-exchanges-bgd.pdf>>.

⁴ For more on small business premium tax credits, see Andrew Cannon, "Right Balance for Small Business in Health Reform: In Iowa, Targeted Credits Offer Business Benefits, Employees Access," Iowa Fiscal Partnership," July 22, 2010. <<http://www.iowafiscal.org/2010docs/100722-IFP-HCR-credits.pdf>>.