Small Businesses & Health Insurance

What New York City Employers Should Know If They Currently Offer Health Insurance

How is dependent coverage changing?

Federal law allows most young adults to stay on a parent's family policy up to age 26.

If you offer family coverage to your workers, federal law requires that you allow most young adults to stay on an employee's family policy through age 25, even if they are married and have a job. If young adults can get coverage through their own job, however, they are no longer eligible for coverage through their parent's family policy.

New York State law allows some young adults to stay on a parent's health plan up to age 30.

You can allow eligible young adults to stay on an employee's family policy through age 29, but it is not mandatory. If you do not let them remain on the family policy, the insurer must allow them to continue coverage by paying the full cost of an employee-only policy. In either case, you do not have to pay anything towards the cost of coverage after age 26.

Not all young adults who are eligible for coverage under the federal law will be able to continue coverage under the NY law. For example, married young adults are not eligible under NY law.

You can still cover domestic partners on your health plan in NYC.

All health insurers in NYC make coverage available for same-sex and opposite-sex domestic partners of employees of small businesses. Unlike spousal coverage for opposite-sex couples, premiums for domestic partners are taxable employee wages and subject to payroll and income taxes. Insurer rules vary so check with your health insurer to find out how to add domestic partner coverage to your plan.

QUICK REFERENCE:

CHANGES TO CURRENT COVERAGE

- Workers' children can stay on their health plan longer now.
- Healthcare reform requires all plans to meet certain new rules.
- *Grandfathered* plans are exempt from some of the new rules.

BENEFITS FOR SMALL BUSINESSES

- Some small businesses can claim a new tax credit of up to 35% of their insurance costs.
- Section 125 plans can help you and your employees pay less in taxes.
- You can offer your employees domestic partner coverage.

To learn more about health insurance options and health care reform, please call 311, or visit NYC Health Insurance Link: www.nyc.gov/hilink

NYC Human Resources Administration
Department of Social Services

HEALTH INSURANCE LINK

Robert Doar, *Commissioner*

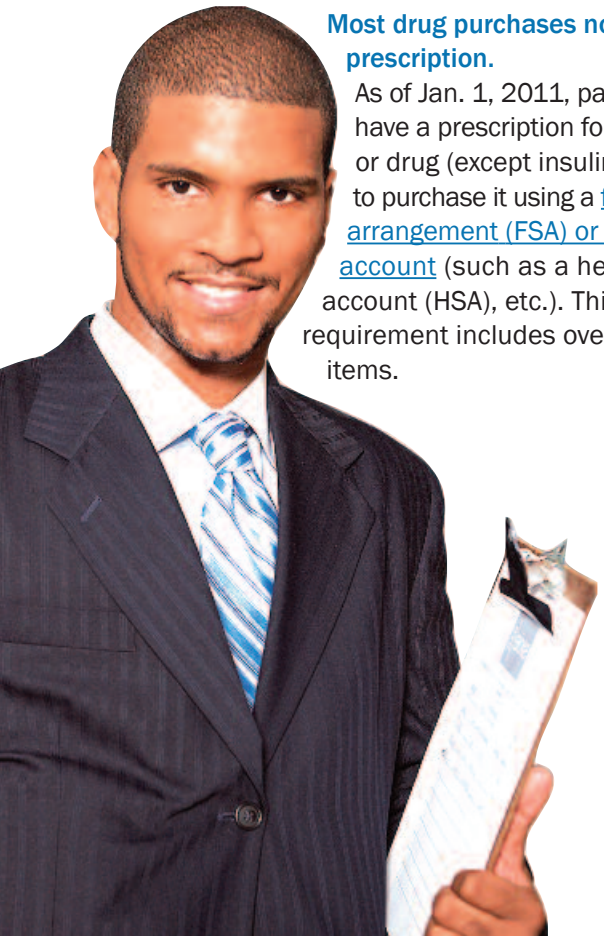
What tax savings can I get by offering health insurance?

You may be eligible for a health insurance tax credit.
Under federal healthcare reform, small businesses with fewer than 25 full-time equivalent employees and average salaries of less than $50,000 may be able to claim a tax credit of up to 35% of their health insurance costs.

By setting up a Section 125 Premium Only Plan (POP), you and your employees can pay less in taxes.
POPs let employees reduce their take-home pay by the amount they contribute towards their health insurance premiums. These payments are made before taxes, which allow workers both to use pre-tax dollars to pay their premiums and lower their taxable income, saving them money on income and payroll taxes. Employers save money on payroll taxes, too.

Most employers can deduct health insurance costs.
Employer payments toward health insurance coverage for employees are typically deductible as a business expense.

How are health accounts like FSAs changing?



Most drug purchases now require a prescription.
As of Jan. 1, 2011, patients must have a prescription for a medication or drug (except insulin) if they wish to purchase it using a flexible spending arrangement (FSA) or other health account (such as a health savings account (HSA), etc.). This prescription requirement includes over-the-counter items.

How is reform changing the coverage I offer employees?

Federal reform requires all employer plans to meet certain new benefit requirements.
When your plan renews, the plan:

- Cannot make children who have pre-existing conditions wait for coverage of their condition
- Must meet minimum annual dollar limit levels for certain benefits
- Cannot set lifetime dollar limits on certain benefits
- Cannot cancel coverage, except in cases of fraud or non-payment

"Non-grandfathered plans" – those purchased or changed after federal reform was signed into law in March 2010 – must meet additional benefit requirements, such as covering certain preventive care services without any enrollee cost-sharing.

What is a grandfathered plan?

If you offered coverage before reform and it has not changed much, it may be a "grandfathered plan".
Plans that existed before federal reform was signed into law and comply with rules that limit the changes made to this coverage going forward may claim "grandfathered" status. For example, these plans can make only limited changes to employee benefits and cost-sharing requirements. Grandfathered plans are subject to fewer benefit requirements than non-grandfathered plans.

Is W-2 reporting changing?

W-2 forms now allow reporting of the cost of coverage.
Federal reform requires the cost of an employee's health plan be reported on W-2 forms in order to let workers know how much their coverage costs. Larger employers must start reporting this information on their 2012 forms (the forms employers generally give employees by the end of January 2013). The IRS has waived until further notice this reporting requirement for employers who file less than 250 W-2 forms in the preceding calendar year. Reporting this information does not make employer-sponsored coverage taxable.
