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Businesses holding on to health benefits as they consider Obamacare's changes

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By [Beth Fitzgerald](#)

After years of battling double-digit health insurance premium increases, small businesses now face the regulatory burdens of the Affordable Care Act, which in 2014 requires employers with 50 or more workers to either provide health insurance or pay penalties.



Small businesses are in no position to drop their health coverage, says Thomas Senter, for fear of losing talented employees to rivals that keep their benefits intact despite the costs of Affordable Care Act compliance.

Nothing changes for employers with fewer than 50 workers, who aren't subject to the ACA.

“The only issue is whether some employers will think twice about hiring their 50th employee” to avoid the ACA, said attorney Thomas C. Senter, of Greenbaum, Rowe, Smith & Davis, in Woodbridge. “Hopefully employers will go about running their businesses and not let the ACA become a driver.”

But advisers to small businesses said a major topic of conversation with their clients is whether it makes sense to try to remain below the threshold to avoid the ACA altogether. Also under discussion: whether to drop coverage and let workers purchase health plans on the new health insurance exchanges now being set up in every state under the ACA. Low- and moderate-income Americans are entitled to federal subsidies on the exchange to make health plans affordable — and experts said the exchange may be a better deal for lower-wage employees than the company health plan.

Individuals and small employer groups will start buying coverage on the exchange Oct. 1 for health plans taking effect Jan. 1, 2014, when the ACA's “individual mandate” kicks in, requiring most Americans to either get health coverage or pay penalties.

Senter said at this point, he doesn't see employers dropping coverage.

“Everyone is waiting to see what other employers will do,” he said. “Insurance is an important benefit to attract and motivate and retain employees. The employer can’t just say, ‘I’m going to drop coverage and save money.’ If your competitor next door does not drop coverage, your employees may leave and try to work next door.”

So as the over-50 employers ponder the “pay or play” decision, they are weighing the cost of health benefits against their value in the competition for workers.

Experts said industries dominated by low-wage workers may drop coverage and encourage employees to buy subsidized plans on the exchange. Retailers, for example, typically have numerous lower-wage employees who don’t participate in the company’s health plan, often because they don’t think they can afford it. Such employers “are more likely to drop coverage, because they are not going to be a trendsetter in their industry by doing so,” Senter said.

Employers who’ve put off dealing with the ACA need to get moving immediately, experts said.

Attorney James Anelli, of LeClairRyan, said employers should have been spending all of 2013 to date figuring out how to comply with the ACA.

“I think what is going to shock employers is the cost: the administrative cost, the consulting fees, the information required to come into compliance and stay in compliance,” Anelli said. He said some employers will avoid growing above 50 full-time workers, and try to expand using part-timers instead, “but at the end of the day, companies are going to have to grow and bring on new workers. The marketplace has to develop the ability to administratively service the millions of small businesses impacted by this — and I’m sure that will happen.”

Anelli said the way he sees it, the administration of President Barack Obama “is sensitive to the commentary about (the ACA) being unwieldy and difficult to implement, and they will be going out of their way to make sure this thing goes off relatively on time. The intent is really not to come down hard on businesses that make a good-faith effort.”

Attorney Michael J. Lubben, of Gibbons P.C., said employers who offer health coverage now “are not running to drop it. I think there will be a wait-and-see approach.” He said the decision by a business whether to offer coverage “has a lot to do with what industry they are in, and whether the competition requires them to offer it.”

“Professional services firms with high-paying jobs are probably just going to keep offering it, because they need to be competitive in the marketplace,” he said. “But some lower-paying business may feel they don’t have to offer health insurance to attract employees.”

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