



Vermont Retail Association



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SMALL BUSINESS GUIDE TO VERMONT HEALTH CONNECT

As a small business person in Vermont, you have had to decide over the years whether to offer your employees health insurance as part of a benefit package. Although health care reform has changed the marketplace in many ways, your small business faces the same basic decision as in the past. The purpose of this guide is to help you understand the changes coming to Vermont's health insurance marketplace and to provide you with the tools to help you decide whether to provide health insurance to your employees through your business.

INTRODUCTION

Beginning January 1, 2014, individuals and small businesses (those employing 2 to 50 people) can only buy health insurance through Vermont Health Connect, www.healthconnect.vermont.gov. Vermont Health Connect will offer products from Blue Cross Blue Shield of Vermont and MVP.

Individuals can enroll in the system from October 1, 2013 through March 31, 2014. They should check the annual start date of their existing coverage to ensure that they re-enroll in a timely manner and have no gaps in coverage. Please note that as an individual or a business, even if you plan on staying with your current insurance company, you still need to enroll for coverage through Vermont Health Connect. Your insurance payments will be to the State of Vermont and the state will forward your premium payment to the insurer.

Small businesses will have an open enrollment period beginning on October 1, 2013 and ending on December 15, 2013. Small business owners should note that the enrollment period ends December 15th and not December 31, as in the past. Vermont Health Connect has a deadline of December 15, 2013 because they need time to process the enrollment files and send them to insurers. Insurers themselves need time to process coverage and send out insurance cards.



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WE ARE HERE TO HELP

We urge you to take the time to fully understand the changes in health insurance in Vermont and to make the best choices for yourself, your employees, and your business. Vermont Businesses for Social Responsibility, Vermont Medical Society and the Vermont Retail Association are working together as a designated "Navigator Organization" and our role is to help you and your business manage change in the new health insurance arena. Our websites, www.vbsr.com, www.vtmd.org, www.vtretailers.com, have links to state and insurance company resources as well as detailed information on Vermont Health Connect. Our staff can answer your general questions. We also employ two individual navigators, both with extensive experience in helping small business make insurance decisions. Our navigators are available to provide direct assistance to individuals and to individual business owners at no cost.

We also offer a frequently asked questions (FAQ) blog that can be accessed through our websites. The blog is continuously updated and you will find many of your questions answered there.

PURCHASING INSURANCE AS A SMALL BUSINESS

SOLE PROPRIETORS

Under Federal law, sole proprietors will not be able to buy small group coverage through their businesses. Sole proprietors may not count spouses as employees for the purpose of purchasing as a business.

As of January 1, 2014, sole proprietors of businesses will buy insurance as individuals or families directly through Vermont Health Connect and not as small businesses. Doing so may make it possible for sole proprietors to receive premium assistance and cost-sharing subsidies. Please see the section, below, on purchasing as individuals.



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LARGE BUSINESS vs. SMALL BUSINESS

Vermont Health Connect distinguishes between large and small businesses. Companies with more than 50 full time employees (FTEs) are considered large businesses and cannot buy insurance through Vermont Health Connect. These businesses will purchase group health insurance as they have in the past.

If you have just over 50 employees, you may still be eligible to buy insurance through Vermont Health Connect. Determining the number of full time employees is based on a calculation of full time employee equivalents (FTEs). Any employee who works more than 30 hours per week is considered a full time employee. Determining this number is not as straightforward as it might appear and there is not enough space in this overview to go into detail. Fortunately, there is helpful information on calculating FTEs at www.vermonthealthconnect.gov

WILL YOU OFFER COVERAGE?

If you are a small business employer as defined above, your first key decision will be whether to begin offering coverage if you haven't in the past, or to continue offering coverage for your employees if you already do. If you do opt to offer coverage, a number of factors will affect your decision and they are summarized below. Be advised that if you choose not to offer coverage, there is no federal penalty. However, Vermont employers will continue to pay the state employee assessment, currently known as the Catamount Assessment, for each employee not covered by the business.

In the past, employees of some small businesses have been eligible to participate in state programs such as Catamount Health or VHAP, even though their employers offered coverage. Both of those programs terminate as of January 1, 2014. This means that if you, as an employer, offer coverage, depending on the make-up of your work force, you may end up covering more employees than you do now.



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The state has created a small employer estimator that helps small businesses compare the cost of offering existing coverage with the cost of plans offered through Vermont Health Connect. The estimator also allows businesses to compare the option of offering coverage with the costs employees might face if purchasing as individuals through the exchange. The estimator is available in the small business section of www.vermonthealthconnect.gov

TYPES OF COVERAGE

Vermont Health Connect will offer products from Blue Cross Blue Shield of Vermont and MVP. The products are standardized, which means that products from each insurer in a given category are similar to each other and must meet certain standards of coverage.

Four levels of coverage are designated with metal names: Platinum, Gold, Silver, and Bronze. In general terms, Platinum plans will cost the most and will offer the highest benefits and lowest deductibles. Bronze plans will cost the least and will offer the lowest benefits and highest deductibles. Gold and Silver plans fall somewhere in between. There are also "catastrophic" plans available with limited benefits and very high deductibles. Catastrophic plans are only available to individuals under thirty years of age.

The Vermont Health Connect website includes further details on what is covered by the insurance plans offered by Blue Cross Blue Shield and MVP. Each of the insurers offers several plans in each of the metal categories. It is important that you and your employees understand the differences between platinum, gold, silver, and bronze plans, as well as the differences within all the plans themselves.



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In the past, a business would generally choose a single plan to offer to employees. Now, you can decide how much your business will contribute to employees, who may then use that money to help pay for the coverage they prefer. Our navigators are available to assist your employees in understanding which health plan will work for them and their families.

If you offer health insurance, you will still be able to pay your business contribution to health insurance with pre-tax dollars.

THE ENROLLMENT PROCESS FOR BUSINESSES

Again, even if you already offer health insurance to your employees, you will need to enroll all of your employees through Vermont Health Connect by December 15. This is a new process for both employers and employees and you will need to plan ahead to make sure all of the pertinent information is in the new system so that no employees experience gaps in coverage.

The state will bill you for coverage and you will have the option of purchasing your coverage with a credit card (with the addition of a processing fee).

THE ROLE OF BROKERS

Many small business people have worked with brokers in the past. Brokers will now charge fees to help businesses choose health insurance options. The state is offering grants to assist qualifying small businesses who still wish to work with brokers. Information on the grant program can be found at www.vermonthealthconnect.gov



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WILL MY EMPLOYEES BE BETTER OFF BUYING INSURANCE AS INDIVIDUALS?

Many of you will have heard about the subsidies and tax credits available through Vermont Health Connect. Subsidies and tax credits are only available to individuals purchasing through Vermont Health Connect. They are not available to employees on an employer-sponsored plan.

Generally, if all of your employees are low-income employees, they should be eligible for subsidies and tax credits through Vermont Health Connect and be able to access coverage as individuals.

However, most employers have a mix of employees with a range of incomes. Employees with higher incomes might find themselves paying more for insurance through Vermont Health Connect than they would through an employer-sponsored plan where the employer pays a portion of the premium.

Some employers have expressed interest in giving employees lump sums and encouraging them to purchase insurance on the exchange as individuals. Be advised that lump sums are taxable payroll for the employer and taxable income for employees. Under this scenario, employers will need to decide what is fair treatment of employees in different income brackets. Also, employers will know the salary, or wage rate, of an employee but will not necessarily know that employee's household income, which could complicate decision-making. The Vermont Health Connect website offers a calculator which shows the general subsidy/tax credit levels for individuals.



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SMALL BUSINESS TAX CREDIT

Employers will want to factor potential tax credits into their decision-making. Small businesses with 25 or fewer employees who currently offer health coverage may already qualify for federal tax credits. To qualify, you as an employer must meet two important criteria that are not expected to change. First, you must pay at least 50% of employees' health care premiums. Second, the average annual wages for all employees must be less than \$50,000.

Presently, the maximum tax credit is 35% of premium costs and 25% for tax-exempt businesses. In 2014, that will increase to 50% and 35%, respectively.

A helpful tax credit calculator can be found at www.vermonthealthconnect.gov

PURCHASING INSURANCE AS AN INDIVIDUAL

Individuals will purchase health insurance through Vermont Health Connect. Products available to individuals are the same ones offered to small businesses and their employees. That information is shown below:

Vermont Health Connect will offer products from Blue Cross/Blue Shield and MVP. Both insurers currently offer products in the small business market. In the Exchange, the products are standardized which means that products from each insurer in a given category are similar to each other and must meet certain standards of coverage.

Four levels of coverage are designated with metal names: Platinum, Gold, Silver, and Bronze. In general terms, Platinum plans will cost the most and will offer the highest benefits and lowest deductibles. Bronze plans will cost the least and will offer the lowest benefits and highest deductibles. Gold and Silver plans fall somewhere in between. There are also "catastrophic"



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You will find details on these plans, and what is covered, at www.vermonthealthconnect.gov

Individuals will have an open enrollment period from October 1, 2013 through March 31, 2014. However, if an individual was covered by an employer in 2013 and is purchasing as an individual for the first time, they should aim to complete the enrollment process by December 15 to ensure they have no gaps in insurance coverage.

THE INSURANCE MANDATE

The federal health reform law includes a mandate that individuals obtain health insurance by 2014. If an individual is not covered by a public or private plan in 2014, that individual will face a tax penalty. The penalty in 2014 is \$95 or 1 percent of taxable household income, whichever is greater. The penalty increases in 2015 and 2016. There is a cap on the overall penalty. That cap is equal to the average annual cost of a bronze level plan.



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RESOURCES FOR YOU

There are many additional resources available to small businesses and individuals. In addition to information on its website, the State of Vermont has printed brochures and information packets. We are happy to forward any of those materials upon request. They can also be obtained directly from Vermont Health Connect.

The State of Vermont has set up a toll free small business hotline to assist you with any questions. That number is 1-855-499-9800.

If you wish to review information from the two insurance companies selling products on the exchange their websites are:

Blue Cross Blue Shield of Vermont www.bcbsvt.com

MVP Insurance www.mvphealthcare.com

The State of Vermont has designated a number of business groups and individual service organizations as 'Navigator Organizations'. All of these groups have the common goal of helping Vermonters understand and utilize the Vermont Health Connect website. A full list of those organizations can be found at www.vermonthealthconnect.gov

The Navigator Organization representing Vermont Businesses for Social Responsibility, Vermont Medical Society and the Vermont Retail Association has hired two Navigators to provide direct assistance to Small Businesses and Individuals. Both Navigators have extensive backgrounds in the Health Insurance area and will be available to answer your detailed questions.



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