

## **PPACA for Employees: The Good, the Bad, and the Ugly**

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There's only so much a small business employer can do to prepare for the massive changes in health insurance scheduled for January 1, 2014. [My previous Altarum column](#) listed 13 huge question marks hanging over the big day when the Patient Protection and Affordable Care Act (PPACA) hits insurance markets with full force. Many of the big rules that will govern markets after that day have yet to be written or released.

But business owners can do themselves one big favor: They can start preparing their employees for the changes and the uncertainties that PPACA is supposed to deliver on January 1, 2014. While employees will no doubt be pleased with some of PPACA's features, they are likely to experience new costs and other surprises.

For the sake of good employer/employee relations, it is crucial that employees understand that many of the less desirable features will be dictated by the law and not by employers. It is probably good for them to hear about these features now rather than later.

Toward this end, the National Federation of Independent Business's Research Foundation has produced an easily digestible two-page briefing document titled "[PPACA: A Healthcare Law Guide for Employees.](#)" This guide gives a brief overview of the good, the bad, and the ugly of PPACA. It's formatted to make it quickly and easily digested by employees with no depth of knowledge on health care.

### **The Good (new benefits)**

The guide begins with PPACA features that employees will probably view most favorably. Kids can stay on parents' policies until age 26. Going forward, W-2s must reveal the real cost of insurance. Insurers cannot refuse to sell a policy because the buyer has a preexisting medical condition. Premiums cannot be affected by health status. Subscribers can't lose coverage when they become ill. Some will get federally financed subsidies. And for older employees, Medicare's "donut hole" comes to an end.

### **The Bad (higher costs)**

Employees will be less enamored of the increased costs resulting from a slew of new taxes and mandates. Most prominently, employees will face the individual mandate tax: a requirement to buy insurance or else pay a tax—a substantial tax in some cases. Some employers not currently offering coverage will have to purchase insurance or pay the employer mandate penalty, thereby leaving less money toward wages. There are new taxes on insurance, on drugs, on medical devices, and on over-the-counter health care purchases. In most cases, the employees will never directly see these costs; they will merely note the higher resulting premiums.

## The Ugly (other surprises)

PPACA is loaded with complex mathematical formulae that sort people into different markets, treat similar people differently, and diminish previous benefits. Here are some examples:

A couple with income of \$41,000 and *three* children can get employer-sponsored coverage. A couple with income of \$41,000 and *four* children will have to drop the employer's coverage and go on Medicaid because the formula for Medicaid eligibility depends on both income and family size.

Some families with highly variable income (e.g., one spouse in sales or construction) may find themselves blown back and forth between Medicaid and private insurance, multiple times a year in some cases. This may disrupt continuity of health care.

Some employees will notice co-workers leaving the employer's insurance plan and heading into the insurance exchanges with the help of heavy subsidies. But they will learn that PPACA's formulae prohibit them from doing likewise because they have higher wages or fewer children.

Some people with high annual health-related expenditures will lose important tax breaks. Consider a family who spends \$14,000 per year on tuition for a special-needs child. Pre-PPACA, it was possible to pay that amount with pretax dollars through a flex plan. Under PPACA, only \$2,500 of the expense can be tax free; the remaining \$11,500 must be paid with fully taxed dollars. Some have called this a "special-needs tax."

Employees have lost the ability to use a flex plan or health savings account to purchase over-the-counter health care products.

The guide mentions potential PPACA-induced shortages of doctors and other providers, the \$700 billion reduction in Medicare payments to fund PPACA; the incentive for employers to replace full-time employees with part-timers, and the extra financial burdens that PPACA imposes on small business.

"PPACA: A Healthcare Guide for Employees" offers an easy way to begin educating employees about these complexities and the good, the bad, and the ugly of what is coming in 2014.

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