

Ceil Cirillo and Leslie Conner: Health care reform holds benefits for small businesses

The Patient Protection and Affordable Care Act -- otherwise known as health care reform -- was passed last year in the wake of vigorous debate. This year, as several of its key provisions begin to take effect, the debates continue.

To help break through the complexity, members of the Health Improvement Partnership HIP of Santa Cruz County are interviewing HIP members and other community leaders and sharing their views. HIP is a county-wide collaborative of health, foundation, and government leaders dedicated to increasing access to care and building a stronger health care delivery system in Santa Cruz County.

Ceil Cirillo, a member of the Sentinel's editorial board, is retired director of the city of Santa Cruz Redevelopment Agency. Leslie Conner is HIP's program and policy director.

Below is an edited version of a recent conversation about some effects of health care reform on small businesses.

LC: Help us understand what's in the health care bill for small businesses. Is there a short answer?

CC: Unfortunately, no. There's a lot of confusion about the provisions, when they kick in, and which businesses are affected. Some small business owners don't realize that tax credits are in place for the 2010 tax year. Since Santa Cruz County has a higher-than-average proportion of small businesses, many businesses and their employees could be affected.

LC: So what exactly do small businesses need to know?

CC: The law offers new tax credits to help businesses provide insurance to their employees. If your business employs the equivalent of 25 full-time workers, their annual wages average \$50,000 or less, and you pay at least half the cost of their health insurance coverage, then your business would be eligible for tax credits that cover a portion of the business's health insurance premium costs. If you had 10 full-time workers and their wages averaged \$25,000/year or less, then you'd get 35 percent of the premiums as a tax credit until 2014. Starting in 2014, you'd get 50 percent. If you have more employees up to 50 and they make more in annual salary up to \$50,000, you'd get a smaller percentage back as a tax credit, but it would still lower the costs of offering your employees coverage. Nonprofits are eligible, too receiving 25 percent until 2014 and 35 percent thereafter.

LC: No wonder people are confused! Are businesses required to participate?

CC: For small businesses, there are no penalties or requirements -- the tax credits are just one way to encourage businesses to offer coverage.

LC: The cost of employee health benefits is daunting to small business owners, isn't it?

CC: Right now, small businesses pay premiums that are 18 percent higher than the ones large businesses do -- for the same type of coverage. Fortunately, in 2014, businesses with fewer than 100 employees will be able to pool their buying power the same way larger businesses do.

LC: Where can people go to learn more?

CC: Fact sheets are available on the White House's web site, www.whitehouse.gov/healthreform/small-business. Small businesses that are eligible can use IRS form 8941 www.irs.gov.