

Healthcare Law Has Uneven Impact On Companies

News

Posted by : Randy

Posted on : 2014/3/21 4:27:17

Sarah Curtis-Fawley will have to offer insurance to her workers at Pacific Pie Co. because of the health care overhaul, and the estimated \$100,000 cost means she may have to raise prices or postpone opening a third restaurant.



On the other end of the spectrum, the owner of a 1-800-Got-Junk? franchise near Philadelphia figures he'll save money because his 12 workers now can shop for coverage on public insurance exchanges created by the overhaul.

"For an employer at my level, it's a win," said Eric Blum, franchisee of the junk removal service.

The Affordable Care Act, which aims to provide coverage for millions, is playing to decidedly mixed reviews in corporate America. Its impact on companies varies greatly, depending on factors such as a firm's number of employees and whether it already provides health insurance.

Some businesses are dealing with administrative hassles or rising costs, while others worry about the law's requirement that mid-sized and big companies offer coverage or face penalties. But the law hasn't meant big changes for every company. And some small businesses now can offer employees a benefit they wouldn't be able to afford without the law.

RISING COSTS

Wal-Mart Stores Inc., the largest U.S. private employer, expects \$330 million in additional health care costs this year in part because company leaders think more employees are signing up for its insurance to meet the law's requirement that most Americans have coverage. The retailer covers about 1.1 million employees and dependents, and enrollment in its health plan will climb by about 100,000 this year.

Some companies that haven't provided insurance are preparing for the requirement that firms with 50 or more full-time employees offer coverage or face a penalty.

Curtis-Fawley said the cost of providing coverage for her 54 employees could amount to a tenth of the Portland, Ore., wholesale pie company's annual revenue of about \$1 million. She has been talking with consultants to find an approach that would work.

"I haven't been able to find a plan that would seem to make sense financially," Curtis-Fawley said.

MAKING CHANGES

At the start of this year, United Parcel Service Inc. dropped health insurance benefits for working spouses of the parcel delivery company's nonunion employees who could get coverage elsewhere. UPS said the change was due to rising health care costs and the overhaul.

Indiana University has started trimming hours for about 750 employees who aren't considered full-time but averaged more than 30 hours a week so the university can avoid the requirement that

it provide those workers coverage. Spokesman Mark Land didn't have an estimate for how much this will save in health care costs. But he noted that the university, which covers about 18,000 full-time employees, spends more than \$213 million per fiscal year on health care, and its budget for that expense climbed more than 7 percent from last year.

"At some point, we had to balance our commitment to employees with the realities of our financial situation and our responsibility to taxpayers and students who pay much of the bill," he says.

ADMINISTRATIVE HEADACHES

Businesses owners say they have to take time away from running their companies to understand the law and explain it to employees. The overhaul also forces some without human resources staff to spend more on consultants to help them translate changes in the law.

About 78 percent of more than 700 employers surveyed recently by the benefits consultant Mercer labeled the increased administrative burden imposed by the law as either a significant or very significant concern.

And that has been intensified by several changes that have been made to the law's requirements. For instance, the deadline for employers with 50 or more full-time workers to begin offering affordable coverage has been pushed back and tweaked a few times. That buys companies time but also forces some to revisit and adjust their plans.

"Nothing about this law is simple," said Don Susswein, a principal at McGladrey LLP, which does benefits consulting for medium-sized employers.

LOW IMPACT

The overhaul hasn't fazed many companies, especially those in industries that must provide attractive benefits to attract and keep highly skilled workers. Tech giant Google Inc., which ranks among the nation's best places to work, said it hasn't had to make any significant changes to its health benefits to adhere to the law.

The law requires that employer-sponsored plans cover at least a certain percentage of expected health care costs, and more than 80 percent of companies surveyed by Mercer said they already meet that threshold.

But while the overhaul hasn't had much of an impact on the coverage now offered by many companies, that could change. Some will have to adjust their plans in the next few years to avoid a tax on expensive plans that starts in 2018. That means they may raise out-of-pocket costs for employees to lower the plan's overall cost.

HELPED BY THE LAW

Companies with fewer than 50 employees can send their workers to insurance exchanges to find coverage and, in some cases, receive tax credits for doing so. This can be a recruitment or retention benefit for companies that can't afford to offer coverage.

The 1-800-Got-Junk? franchisee said rates for coverage he was providing were scheduled to jump 65 percent this year. So he sent employees to exchanges to find coverage and offered to continue paying half the premium, or coverage cost. He projects savings of \$3,000 to \$4,000 annually - significant for a company with \$500,000 to \$1 million in annual revenue, he said.

Bigger companies also can save by sending employees to exchanges. Western Communications Inc. dropped coverage for its 280 employees this the year after the newspaper publisher had more than

Healthcare Law Has Uneven Impact On Companies

<http://www.kttn.com/kgofm/modules/news/article.php?storyid=111807>

\$2 million in health care claims last year. Employees can go to exchanges, where they may be eligible for subsidies to help pay for care.

President Gordon Black said the decision was made even though a company of Western's size likely will face a fine - which can total \$2,000 per employee for most workers - for not offering coverage.

"We'll cross that bridge when we come to it," he said.