

# RESTORING ARIZONA

PROTECTING OUR HEALTHCARE FUTURE

## AHCCCS Restoration and the Impact on Small Businesses

### Introduction

If the state fails to restore AHCCCS, businesses may be penalized as a result. As described in detail below, employers whose workers obtain subsidized coverage on the exchange pay a penalty. If the state does not restore Medicaid eligibility to 138% FPL, more workers will be eligible for exchange subsidies, subjecting employers to greater liability.

### How does the “Shared Responsibility” provision of the Patient Protection and Affordable Care Act (PPACA) impact employers?

Under the “Shared Responsibility” provision of the PPACA, employers with more than 50 full time employees<sup>1</sup> who do not offer health care coverage, or who offer coverage that is not “affordable”<sup>2</sup> or does not meet minimum value standards, face a penalty if their workers receive subsidized coverage on the exchange. “Affordability” is determined by whether or not the employee’s share of the premium is more than 9.5 percent of an employee’s annual income.

### Which small businesses will be subject to these penalties?

Businesses with 50 or more full time employees are subject to the penalty if they do not provide insurance coverage that complies with the requirements of the PPACA. Those with 1 -49 employees are exempt.

### What effect will this have on small businesses in Arizona?

Ninety-four percent of firms with 50-199 employees provide health insurance<sup>3</sup> but the level of employer contribution to premium may lead to penalties.

	Individual	Family (of four)
9.5 percent of Income at 100 percent FPL	\$1,091	\$2,237
9.5 percent of Income at 138 percent FPL	\$1,506	\$3,087
Average Employee Contribution to Plan in Arizona <sup>4</sup>	\$1,016	<b>\$4,450</b>

<sup>1</sup> Full time employees and full time equivalents.

<sup>2</sup> Internal Revenue Code § 4980H(a)

<sup>3</sup> Kaiser Family Foundation, *Employer Health Benefits, 2012 Summary of Findings*, available at <http://ehbs.kff.org/pdf/2012/8346.pdf> (last visited April 4, 2013).

<sup>4</sup> Robert Wood Johnson Foundation, *State Level Trends in Employer Sponsored Health Insurance: A State-by-State Analysis* at 25 (2013).

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This means that many employer-provided insurance plans will be “unaffordable” when the regulations take effect in 2014. As a result, these employees will be eligible for Premium Assistance Tax Credits to purchase insurance on the federal exchange.

### **How will expanding AHCCCS eligibility help Arizona small businesses?**

When Congress passed the Patient Protection and Affordable Care Act, it assumed that all people with annual incomes of less than 138 FPL would be eligible for Medicaid. With the Supreme Court’s decision in *NFIB v. Sebelius*<sup>5</sup>, the expansion became optional, and thus this population is not guaranteed coverage in states that do not accept the expansion.

If Arizona expands Medicaid eligibility and these employees are eligible for AHCCCS coverage, there is no penalty to the employer.<sup>6</sup>

Because the “shared responsibility” payments will go into effect in 2015 regardless of the outcome of Medicaid expansion, it is estimated that choosing to expand Medicaid in Arizona would save businesses between \$45 and \$68 million in penalties.<sup>7</sup>

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<sup>5</sup> 567 U.S. \_\_ (2012).

<sup>6</sup> Internal Revenue Code § 4980H(a) Note 14

<sup>7</sup> Jackson Hewitt, *The Supreme Court’s ACA Decision and Its Hidden Surprise for Employers* at 3 (2013)

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