Business owners get lesson in new health insurance options

By SHANNA MCCORD

APTON — Michael Lujan from Covered California, the statewide health insurance exchange created to administer the federal Affordable Care Act, mapped out what small business owners can expect when major provisions of the new health care law go into effect in January.

Lujan, a longtime insurance agent, spoke to a crowd of about 50 local small business owners and insurance agents at a workshop Tuesday at Cabrillo College. He was invited by state Sen. Bill Monning, D-Carmel, to help explain what businesses with fewer than 50 employees will be required to do under the new law that requires individuals to carry health insurance.

“We're creating a culture of coverage,” Lujan said. “There is no mandate for small businesses to offer health insurance. There are fines except for individuals. The employer penalty (for those with more than 50 employees) has been delayed to 2015.”

Starting in October, individuals can enroll for health insurance through Covered California, which will provide a pool of coverage options and rates offered by various insurance companies. As an incentive, employers who pay some of the premium for employees will receive federal tax credits.

“Now that this is all public health plans,” Lujan said. “They’re not. They’re private plans that will compete to earn your business based on price, benefits and quality of networks.”

According to Lujan, there are an estimated 5.5 million people in California without health insurance, and about half would qualify for federal subsidies in the way of tax credits. Insurance subsidies are available for individuals earning less than $48,000 a year and a family of four with annual income of less than $96,000.

Health insurance is considered affordable if it’s less than 9.5 percent of an individual’s gross income, Lujan said.

People who don’t get health insurance will be fined $95 a year by the IRS or 1 percent of their income, he said.

If President Barack Obama's Affordable Care Act were to be repealed by a future president, California, which was the first state to enact the federal law, would likely continue with the health insurance exchanges, Lujan said.

“It's a state law,” he said. “For California we're going ahead anyway. California would have to appeal it at the state level.”

Longtime local restaurant owner Ted Burke, a critic of the federal health care law, said he's offered insurance to his staff since theShadowbrook opened in 1979.

He pays half of the premium for anyone who works more than 20 hours a week and has been there more than six months.

There are about 35 restaurant employees who opt for the insurance, with premiums that range from $100 to $1,000 a month, Burke said.

With about 120 employees in all, Burke will be subject to the federal law in 2015, which he said will drive up menu prices and make him less competitive with smaller restaurants.

“I want to see if there are options to get out of the mandate and if it’s cheaper for my employees to go on the exchange and get the subsidy,” he said. “The biggest disappointment today was learning that my employees will receive no subsidies for helping them pay the 50 percent portion of their health insurance premium if they continue to provide their insurance but would be eligible for significant individual subsidies if the restaurant were to no longer provide the insurance and instead were to send them to the state exchange to obtain it.”

George Chobany, an insurance agent in Watsonville and Monterey, said the Affordable Care Act will do little to improve overall health care, especially with rising medical costs.

“People are running out of their ability to pay for insurance,” Chobany said. “A lot of small businesses are getting out of the group coverage. We haven't addressed the cost of care. The bottom line is this is going to cost everyone more.”

Dan Wilkins, an insurance agent in Capitola, said expanding health care coverage would be beneficial for all the people living without insurance.

“There's a lot of new information coming out,” Wilkins said. “But I do see a lot of positives.”