

Iowa employers brace for Obamacare

After 2 years of uncertainty, businesses rush to figure out how the law affects them



Written by
[TONY LEYS](#)

The Des Moines Register

Online article can be found at:

<http://www.desmoinesregister.com/article/20130303/NEWS09/303030079>

Iowa employers are scrambling to prepare for new costs, piles of paperwork and possible new options as the brunt of President Barack Obama's health care reforms take effect next year.

Des Moines benefits consultant Steve Gooding has spent more than 20 years advising employers on health insurance issues. He's never seen such a rush of activity as businesses try to figure out how the complicated law will affect them. "If they haven't started by now, the cow's already out of the barn," he said.

Small employers could benefit from more choices in insurance providers, and some could qualify for temporary subsidies to buy coverage for their workers. Some small businesses, especially those with many young, healthy workers, could see their costs shoot up. Small businesses with older workers who have health problems could see their premiums drop.

Medium and large employers will face new standards on what their insurance must cover, and they will be hit with thousands of dollars in fines if they fail to provide coverage or if their policies cost employees too much.

Clive health care consultant David Lind likens the health insurance market to a snow globe that the government overturned, shook and set back on a table. The people inside the snow globe are now watching the flakes float all around. "It will be quite a while before we find out what the new terrain will look like," he said.

Lind, who has studied the market for nearly 30 years, is skeptical of specific claims about its future, including how much Americans' premiums will climb or fall. "Anyone who pretends to have the answer to what ultimately will happen to health care costs and health insurance costs — it's probably more opinion than fact," he said.

That lack of clarity makes many business owners cautious about how they'll react to the changes. For example, some have predicted that employers would decide that instead of continuing to offer group insurance, they would give employees a set amount of money to buy individual policies. But several Iowa employers and industry experts said they doubt such radical shifts would be common here right away.

Gooding is president of the Reynolds & Reynolds insurance brokerage firm, whose clients range in size from two employees to 25,000 employees. He said some of the biggest challenges are faced by service-industry companies, such as restaurants and movie theaters, which routinely employ large numbers of part-time workers. Under the law, if those companies have more than 50 workers, they'll have to offer health insurance to everyone who averages more than 30 hours per week. The companies can't afford to suddenly start providing insurance to all of those people, so they have to decide which ones to let work more than 30 hours. For the rest, managers are already controlling their workloads so they don't hit the 30-hour average, he said.

Gooding also noted that the government will judge large employers by the affordability of the policies they offer to workers. If a worker's share of the premium is more than 9.5 percent of his or her income, the employer would face a \$3,000 penalty. "The practical application of that is incredibly daunting. How are they going to enforce that?" Gooding said.

Businesses with fewer than 50 employees won't be required to provide insurance, but they'll still face important choices. Some of them have seen premiums jumping by as much as 40 percent per year, Gooding said. "They're really getting clobbered," and they're not sure if the new system will be of much help.

Many employers are skeptical of the whole program.



Rick Hall, controller of Sticks, speculates that some of the major changes spurred by Obamacare could be delayed. 'To be honest with you, I'll be surprised if this whole health care system really gets off the ground. It's so convoluted and complicated,' he said. ANDREA MELENDEZ/THE REGISTER

Rick Hall, controller of the Sticks furniture company in Des Moines, speculated that some of the major changes could wind up being delayed. "To be honest with you, I'll be surprised if this whole health care system really gets off the ground. It's so convoluted and complicated," he said. He noted that the details of some regulations haven't been released on schedule.

Hall's company has about 70 employees, most of whom work full time. The firm has long purchased insurance from Wellmark Blue Cross and Blue Shield, which Hall said offers reliable service. Hall would like to see more options other than Wellmark, which controls nearly two-

thirds of Iowa's small-group market, but he has little faith in government's ability to encourage new carriers to enter the state. "They can't even deliver the mail," he grouched about federal officials.

Lind, who used to be an insurance broker, said that more than ever, employers should seek professional advice on choosing and buying coverage. "They're going to hear so much information — some of it misleading," he said. "We're in turbulent waters, because all of this is so new and so fresh and so unclear."

For example, Lind said, owners of large businesses might think that paying a \$2,000-per-employee fine sounds more appealing than spending thousands more to provide coverage. "I could say, 'Wow, this is a good deal. I'll just drop it.' But it's so much more complicated than that."

Lind's firm commissions an annual survey of Iowa employers, which found that 81 percent offered health insurance to their employees last year. Even among the smallest employers, with two to nine workers, 58 percent offered insurance. Those companies didn't provide coverage just out of the goodness of their hearts, he said. They did it because offering insurance was a smart business decision. A strong insurance program helps attract and retain good employees, he said, and it helps keep workers healthy and productive. Those considerations will remain.

Sean Yolish, a vice president at Merit Resources, said the issues become increasingly complicated the more you dig down. For example, he said, even the question of whether a company has 50 employees is opaque. The issue isn't simply whether a company has 50 separate employees or 50 full-time equivalents.

Instead, employers are to count each worker who averages more than 30 hours a week as one employee. Then, Yolish said, employers are to take the remaining part-time employees, add up their monthly hours, divide by 120, then add the results to the other employees.

Yolish's Urbandale firm works with about 350 employers, ranging in size from one to more than 1,000 employees. He said managers have mixed feelings about the federal health reform law. "They run the gamut from, 'Don't tell me what to do,' to 'This doesn't really bother me because I'm already doing everything I need to do.' "

He predicted the main effect of the health reform law on employers will not be increased costs, but mountains of paperwork. "It's a huge burden for a small employer. How is a small employer supposed to keep up with all of these regulations rolling out?"

Yolish agrees with many other experts that few Iowa employers are likely to decide immediately to drop their current insurance coverage. Small employers will be offered the option of buying group coverage on the government's new health insurance exchange, an electronic marketplace designed to help people compare and purchase policies from private companies. But those systems aren't scheduled to be up and running until October, so employers won't have much time to consider whether to use the exchanges to switch to a new carrier for 2014.

Yolish suspects that instead of making snap decisions on such a weighty topic, many employers will choose to continue with their current insurance plans for another year. A possible exception could be employers with many workers who make less than 250 percent of the federal poverty level, which would amount to about \$29,000 per year for a single person. Those people could qualify for federal subsidies to help them buy their own insurance on the exchange. The option of having employees take that route would be less appealing to medium or large employers, who would face a \$3,000 per-person fee from the government.

The exchange might also be tempting to companies that have fewer than 25 employees and pay an average of less than \$50,000 per year. Such employers could qualify for a two-year tax credit that would pay up to 35 percent of their insurance costs.

The confusion and sudden rush of activity are partly due to political timing.

Mark J. Becker, a Clive insurance broker who has been in the business nearly 30 years, said that when the health reform law was passed in 2010, it seemed like there would be enough time to implement the changes fairly smoothly. But then progress slowed amid doubts about the law's future. "Everybody was holding their breath to see what the Supreme Court would do," he said. Then, after the court upheld most of the law last summer, Republican presidential candidate Mitt Romney promised to rescind it.

"Everyone kind of said, 'Let's wait until after the presidential elections to see how that works out,' " Becker said.

By the time Obama won re-election in November, the reality hit that the dramatic shifts in health insurance would happen, and the country had just over a year to prepare.