FAQ: Health Care Reform and Minnesota’s Nonprofit Employers

Minnesota’s health insurance landscape has been undergoing some significant improvements, leading to better and more affordable coverage for most Minnesotans. Although this is good news for thousands of the people nonprofits serve, it also raises many questions for nonprofit organizations wondering how these changes will impact them as employers.

Approximately three-fourths of all Minnesota nonprofit employers offer health insurance to their employees. However, smaller nonprofits face significant obstacles in offering health benefits, including cost and administrative challenges. The Affordable Care Act (ACA) creates new opportunities that will benefit small nonprofits that already provide health care insurance and those that want to start. For larger employers, including nonprofits, the ACA brings some new responsibilities for offering health insurance.

This FAQ reviews some commonly asked questions about the changes and choices facing Minnesota’s nonprofits in 2014 and beyond.

1. What is MNsure?
MNsure is the state’s online health insurance marketplace where individuals and small employers (including nonprofits) can shop for, compare and enroll in health insurance. The current open enrollment period for individuals and families wishing to purchase private health insurance through MNsure continues through March 31, 2014. More information is available on the MNsure website, www.mnsure.org, or its toll-free hotline at 1-855-3MNSURE (1-855-366-7873).

2. What is the SHOP?
The SHOP (Small Business Health Options Program) is the part of the MNsure marketplace where small employers, including nonprofits, can go to offer health insurance to their employees. The SHOP currently serves employers with 2 to 50 employees (see FAQ #3 for how to count employees). Small employers purchasing group health insurance need to meet state minimum employer participation and contribution requirements (at least 75 percent of employees participate and the employer contributes a minimum of 50 percent of the plan premium). Unlike for individuals and families, there is no predetermined open enrollment period for the SHOP. Small employers may set up plans for their employees once per year at any time of their choosing.

3. How do I calculate how many employees I have?
For the purposes of the Affordable Care Act, you determine your organization’s number of employees by calculating your full-time equivalents (FTEs) using these steps:
Step 1: Determine a measurement period: a period of time chosen by your organization, ranging from three to 12 months, used to evaluate whether an ongoing employee is eligible for health insurance coverage.

Step 2: Count the number of full-time employees (those working an average of 30 or more hours per week) for each month of the measurement period.

Step 3: Count the number of hours worked by all part-time employees for each month of the measurement period. Divide each month’s total by 120 to calculate the number of full-time equivalents (FTEs).

Step 4: Add together the total of full-time and part-time FTEs for every month.

Step 5: Divide the total by 12 to determine your organization’s average number of employees.

There may be exceptions that apply to your organization if you have seasonal employees. For more information, visit the IRS website (www.irs.gov/aca).

4. Am I required to provide health insurance to my employees?
There is no requirement for small employers – those with fewer than 50 FTEs – to provide health insurance to their employees. If you do offer insurance through MNsure to any of your full-time employees, you must offer it to all full-time employees (those working an average of 30 hours or more per week).

All larger employers – those with 50 or more FTEs – must offer their full-time employees a health insurance plan that is affordable and meets a minimum value standard. Affordable means employee-only coverage does not cost more than 9.5 percent of the employee’s yearly household income, and minimum value means the health insurance policy must pay at least 60 percent of the average person’s health care costs (also known as actuarial value). If a large employer fails to offer this minimum level of coverage, and any full-time employee qualifies for federal premium tax credits to purchase individual insurance through MNsure, the employer must make a “shared responsibility payment.”

Enforcement of the shared responsibility provision has been delayed. Large employers with 100 or more employees will become subject to the employer responsibility payment beginning in 2015. Medium-sized employers – those with 50 to 99 employees – aren’t subject to the penalty until 2016. For more information on this provision, visit the IRS website (www.irs.gov/aca).

5. What options will my employees have if I don’t offer health insurance coverage or discontinue coverage?
As of January 1, 2014, nearly all residents of the United States are required to have health insurance, or they will pay a penalty when they file their taxes. In Minnesota, if you do not offer your employees health insurance that meets the minimum coverage standard (see FAQ #4 for more details on the minimum coverage standard), they have several options for obtaining the required coverage:
• Employees with household incomes below 200 percent of the federal poverty level ($23,340 for an individual, $47,700 for a family of four) will likely qualify for public programs like Medical Assistance and MinnesotaCare.

• Employees with household incomes between 200 and 400 percent of the federal poverty level ($46,680 for an individual, $95,400 for a family of four) will likely qualify for federal premium tax credits to help them purchase private insurance through MNsure. These employees can also purchase private insurance outside of MNsure, although they will not be eligible for federal premium tax credits if they do so.

• Employees with household incomes over 400 percent of the federal poverty level can purchase unsubsidized private insurance either through MNsure or outside of MNsure.

Employees over age 65 are eligible for Medicare regardless of whether you offer coverage, and they will continue to enroll as they do currently.

For more information on the public and private insurance options available in Minnesota, see the Minnesota Budget Project’s issue brief, MNsure: A New World of Opportunities for Affordable Health Insurance Starts in 2014, at www.mnbudgetproject.org.

6. Can I offer a defined contribution health care plan instead of a defined benefit plan?
Yes, small employers purchasing insurance through MNsure may set up health insurance for their employees as a defined contribution plan where the employer provides a specific amount of money the employee can use to purchase insurance, or a defined benefit plan where the employer chooses the coverage options. Conceptually, a defined contribution policy is like a 401(k) retirement plan and a defined benefit plan is similar to a pension plan. MNsure makes it easier for small employers to offer either of these insurance options by handling administrative tasks like enrollment, renewal and making payments to carriers.

Large employers may also offer defined contribution or defined benefit plans, but they are not eligible to do so through MNsure, and the plans must meet the Affordable Care Act’s minimum coverage standard (see FAQ #4 for more details on the minimum coverage standard).

7. Can I still offer my employees a Flexible Spending Account or Health Savings Account?
Yes, employers may continue to offer Flexible Spending Accounts (FSAs) and Health Savings Accounts (HSAs), but there are a few changes that you should be aware of. FSA contributions are now limited to $2,500 a year. Small employers may offer HSAs, but they must be connected to a high-deductible insurance plan that meets the new ACA limits on deductibles and cost sharing, offers no-cost preventive care and covers a required set of health benefits.

MNsure does not provide assistance with the administration of FSAs and HSAs.

8. Are there any tax credits for employers offering health insurance to their employees?
Yes, certain small employers, including nonprofit organizations, are eligible for tax credits to make health insurance more affordable. In order to qualify, you must:
• Have fewer than 25 FTEs.
• Pay an average annual wage below $50,000 per FTE (this threshold will be adjusted for inflation beginning in 2014).
• Offer a minimum level of health insurance coverage and pay at least 50 percent of the premium cost for the employee.

This tax credit has been available since 2010, when the Affordable Care Act was enacted. For tax years 2010 through 2013, nonprofit employers are eligible for a credit of up to 25 percent of their eligible premium expenses (or 35 percent for other small employers). If you think your organization may have been eligible for this credit in past years, you can still apply to receive it retroactively.

The amount of the credit increased beginning in 2014. Nonprofits are now eligible for a credit of up to 35 percent of eligible premium expenses (50 percent for other small employers). However, beginning in 2014, a small employer can only receive the credit for up to two consecutive years and must purchase insurance through MNsure.

A calculator to help you determine whether your organization is eligible for the credit is on the Small Business Majority website at www.smallbusinessmajority.org/tax-credit-calculator/index.php. To apply for the credit, small employers must file IRS Form 8941. Nonprofit organizations must also file Form 990-T (Exempt Organization Business Income Tax Return). The National Council of Nonprofits has more information on how nonprofits can claim the credit at www.councilofnonprofits.org/node/6394.

9. Am I required to purchase health insurance through MNsure?
No one is required to purchase insurance through MNsure – there continues to be an insurance marketplace outside of MNsure. However, in order to take advantage of federal tax credits, an individual or small employer must purchase insurance through MNsure:

• Individuals without other qualifying insurance with incomes below 400 percent of the federal poverty level ($46,680 for an individual, or $95,400 for a family of four) may qualify for federal premium tax credits to lower the cost of coverage. These credits are only available for health insurance policies purchased through MNsure.
• Small employers may qualify for a federal tax credit to help offset the cost of offering health insurance. Starting in 2014, this credit is only available to employers that purchase insurance for their employees through MNsure (see FAQ #8 for more details on small employer tax credits).

10. What are the benefits of my small nonprofit purchasing insurance through MNsure?
There are unique advantages to purchasing insurance through MNsure rather than in the outside market:

• Small employer tax credits are only available for insurance purchased through MNsure (see FAQ #8 for more details on small employer tax credits).
• You can offer your employees a choice of multiple plans, including plans offered by multiple carriers, which is typically not an option in today’s small group market.
• MNsure will handle enrollment, renewal and payment of plans at no additional cost to your organization, significantly reducing the administrative complexity and paperwork of offering health insurance.
• You can make an “apples-to-apples” comparison between health insurance plans, improving your and your employees’ ability to make good choices. You can continue to work with your current insurance broker to purchase insurance through MNsure, or search for insurance on your own.

Other opportunities in the outside market that are available through MNsure include:
• Flexibility to set up defined benefit or defined contribution plans.
• Employee premium payments can be made with pre-tax dollars, reducing the employee’s tax liability.

11. What if I have employees in other states?
If your primary office is located in Minnesota and your organization is eligible to purchase group health insurance through MNsure, your employees residing in other states may enroll in any of the insurance plans that are offered by your organization through MNsure.

If you have a worksite located in another state, you may be eligible to offer insurance to employees living in that state through that state’s health insurance marketplace.

If you offer insurance to out-of-state employees that meets the minimum coverage standards (see FAQ #4 for details on the minimum coverage standards), and they decline that coverage, they will not be eligible for federal premium tax credits (see FAQ #5 for more details on individual tax credits).

12. Are there new Affordable Care Act HR requirements?
Nonprofit employers should be aware of new HR requirements in health care reform. Unless otherwise noted, these requirements apply to both small and large employers:
• You must provide employees with a Summary of Benefits and Coverage (SBC) from your insurer, clearly explaining what the plan covers and what it costs.
• Employee contributions to flexible spending accounts are now limited to $2,500 per year.
• Employers must report health insurance costs on W-2s (until further notice, employers with fewer than 250 W-2s are exempt from this requirement).
• Employers must collect additional Medicare withholding on wages of high-income earners.
• Employers must notify newly hired employees of their options through MNsure. Model notices are available from MNsure at www.mnsure.org/faq/small-business-faq.jsp.
• The maximum waiting period for health insurance coverage to start is 90 days.

13. What is the Cadillac tax?
The so-called Cadillac tax is an excise tax on high-value health insurance policies sponsored by employers. The tax does not take effect until 2018. For the purposes of the tax, a high-value policy is defined as a plan with premiums higher than $10,200 for an individual, or $27,500 for a family (there are some adjustments to this threshold, such as for older employees). In the case of fully
insured coverage, the insurer will pay a 40 percent excise tax, on a non-deductible basis, on the
difference between the threshold and the actual value of a plan. For example, if an individual plan
costs $11,200, the insurer would pay an excise tax equal to $400 (40 percent of $1,000). In the case
of self-funded plans, the employer will pay the excise tax.

14. Where can I get more information?
   • MNsure toll-free helpline: 1-855-3MNSURE
   • MNsure website: www.mnsure.org
   • Minnesota Department of Commerce website: mn.gov/commerce/insurance/topics/medical/
   • Federal Affordable Care Act website: www.healthcare.gov
   • Small Business Administration website: www.sba.gov/healthcare#
   • U.S. Department of Labor website: www.dol.gov/ebsa/healthreform
   • Internal Revenue Service website: www.irs.gov/aca
   • Small Business Majority website: www.healthcoverageguide.org

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This FAQ is for informational use only and is not intended as legal advice. Please consult a legal
and/or tax professional for advice on how your organization will be impacted by the Affordable Care
Act.

2 Those exempt from the individual responsibility payment include very low-income households, those not lawfully present,
   incarcerated individuals, those with religious objections and members of an Indian tribe.