

Illinois Department of Insurance Highlights Benefits to Small Businesses Resulting from National Health Reform

Health reform law will provide tax credits to small businesses; improve stability and value of coverage

CHICAGO—May 5, 2010. The Illinois Department of Insurance today released the latest in a series of fact sheets informing Illinoisans about the recently enacted national health reform law, the Patient Protection and Affordable Care Act (“the Act”). The Act will provide immediate benefits to small business owners and the employees of small businesses.

“Small business owners in Illinois, most of whom want to do right by their employees and provide affordable health insurance options, have struggled for years with unpredictable and unreasonable premium increases,” said Director Michael T. McRaith. “The Act will protect small businesses against dramatic premium increases, reduce premium costs immediately through tax credits, and ensure better value for the hard-earned premium dollars paid by small businesses and their employees.”

Some reforms will become effective later this year, while others will not become effective until 2014. Listed below are brief descriptions and effective dates for some of the most significant reforms affecting small businesses in Illinois. Additional information about the Act is available through the Department’s Health Insurance Reform Information Center at <http://insurance.illinois.gov/hiric/>.

Changes Effective Within the Next Year

Health Insurance Tax Credits (effective for the 2010 taxable year)

- The Act provides tax credits for small businesses that contribute at least 50 percent of the premium cost for health coverage provided to employees.
- Businesses with 25 or fewer full-time employees and average annual wages of \$50,000 or less will be eligible for tax credits of up to 35 percent of premium costs beginning with the 2010 taxable year.
- Businesses with 50 or fewer employees will not, at any time, be penalized for failing to offer health insurance to employees.
- See the Department’s [fact sheet](#) for more information about the tax credits for small businesses.

Protection Against Premium Increases (effective March 23, 2010)

- Small employers (50 or fewer employees) benefit from limited rating protections under current Illinois law, but these small businesses are vulnerable to dramatic, unpredictable, and unaffordable rate increases upon renewal.
- The Department of Insurance, in conjunction with the U.S. Department of Health and Human Services (“HHS”), will review “unreasonable” premium increases before the increases take effect.
- The Act requires health insurance companies to post information justifying premium increases on their websites.

Identifying Affordable Coverage Options (effective July 1, 2010)

- The Act establishes an internet portal that will allow small businesses to identify affordable coverage options throughout the state.

Premium Value and Transparency

- Effective September 23, 2010:
 - The Act requires health insurance companies to publish detailed information about the percentage of each premium dollar the company spends on health care (called a “medical loss ratio”). This information will allow small business owners to better compare health insurance plans and identify the best value for their hard-earned premium dollar.
- Effective for plan years beginning January 1, 2011:
 - The Act requires health insurance companies to spend a certain percentage of each premium dollar on health care.
 - For plans sold to small employers, health insurance companies that spend less than 80 percent of each premium dollar on health care will be required to rebate excess premiums to their small employer policyholders.

Changes Effective Beginning in 2014

Increased Tax Credits

- Beginning with the 2014 taxable year, the maximum tax credit amount for small businesses contributing at least 50 percent of the premium cost for health coverage provided to employees will be increased from 35 percent to 50 percent of the employer’s contributions.

Premium Fairness and Stability

- The Act prohibits health insurance companies from charging higher premiums, when first issuing a policy or at renewal, based on the health status or gender of a small business’ employees.
- The Act requires health insurance companies to treat all small businesses in a state as members of a single “risk pool,” which will promote greater stability of premium rates.

Marketplace Transparency (state-based exchange)

- Currently in Illinois, shopping for health insurance can involve the completion of many different applications for different companies resulting in a comparison of different benefit packages. Small business owners are disadvantaged because an apple with one insurer is an orange with another.
- The Act establishes state-based insurance exchanges that will include baseline coverage packages, standardized forms and transparent insurer comparisons.
- Initially, small businesses with up to 100 employees will have access to the state-based exchanges.

More Information

The Department's mission is to protect consumers by providing assistance and information, by efficiently regulating the insurance industry's market behavior and financial solvency, and by fostering a competitive insurance marketplace. The Department assists consumers with all insurance complaints, including health, auto, life, and homeowner. Consumers in need of information or assistance should visit the Department's Web site at <http://insurance.illinois.gov> or call our toll-free hotline at (866) 445-5364.