

Nonprofit Organizations and the Affordable Care Act

The Affordable Care Act (ACA), signed into law in March 2010, provides both short- and long-term assistance to nonprofit organizations struggling to provide health insurance to their employees. Additional resources on the impact of the ACA on nonprofit organizations and small businesses can be found on the West Virginians for Affordable Health Care's web site at www.wvahc.org. Below is a summary of these impacts.

- Tax credits: Phase I of the tax credits covers 2010 through 2013. In Phase I, nonprofits with between 2 and 10 employees with average wages below \$25,000 qualify for the maximum tax credit of 25 percent of the employer's share of the premium. This tax credit is phased out to nonprofit organizations with fewer than 25 employees and average salaries of \$50,000. Nonprofits that pay at least 50 percent of the total premium qualify for the tax credit. Nonprofit organizations take their tax credits by paying lower payroll taxes.

Phase II of the tax credits is from 2014 and beyond. The same criteria applies for eligibility as Phase I. However, the maximum tax credit is raised to 35 percent. The tax credit in Phase II, however, can only be taken for two years.

- Medical loss ratios: An insurance company that has a medical loss ratio of 80 percent is paying 80 percent of the premium they collect on claims and quality improvements and 20 percent on administrative costs. Beginning in 2011, insurance companies are required to report their medical loss ratios. Beginning in 2012, insurance companies that do not achieve a medical loss ratio of 80 percent must rebate the difference to their small business customers, including small nonprofit organizations.
- Unlike large employers, small nonprofit organizations (those with 50 or fewer employees), will not pay a penalty if they do not offer their employees health insurance benefits.
- Beginning in 2014, small nonprofit organizations will be eligible to purchase health insurance through the health exchanges. The health exchanges are market places where small employers can compare health insurance plans and choose the plan best suited to their needs. The exchanges will simplify the process of buying health insurance, promote competition and lower costs.
- Beginning in 2014, insurance companies will be prohibited from raising the premiums of nonprofit organizations just because one or more of their employees had a serious medical condition and used their health insurance benefits.

Tax credits, understanding how much an insurance company is spending on administrative costs, eligibility to participate in the health exchange, and new insurance rules to protect small nonprofits are all part of the Affordable Health Care Act.