

Helping Montana's Small Businesses provide Affordable Health Insurance

The Small Business Health Care Affordability Act HB 667

Montana is a small business state, with most companies employing fewer than 10 employees. Yet one in five Montanans do not have health insurance, even though more than half of the uninsured work for small businesses. Many small businesses just can't afford to provide insurance to their employees. They simply don't have enough employees to seek competitive rates. This new program will help provide health insurance for those small businesses.

House Bill 667, the Small Business Healthcare Affordability Act, was requested by State Auditor John Morrison's office. The measure passed the legislature with strong support from both parties, and was signed into law by Governor Schweitzer in May of 2005. As a result of this new law, tax credits and premium payments will help small business owners provide health insurance to their employees. In addition, the initiative allows small businesses to band together to form a purchasing pool. The pool will be able to negotiate lower-priced health plans through group purchasing.

Small businesses that meet a few minimum requirements may qualify for the program. Businesses that have between two and five employees where no employee makes more than \$75,000 (excluding the owner) meet the initial criteria.

Some of the credits will be offered to small businesses in danger of dropping their current health insurance plans as a result of rising premiums. Most of the assistance will go into a purchasing pool, allowing previously uninsured small businesses to band together and provide affordable health insurance for their employees.

The State Auditor's Office will begin accepting registration forms on October 1, 2005 on a first-come, first-served basis until the slots are full. The benefits will be effective January 1, 2006. Application forms will be ready for request and distribution in September 2005.

Please note that implementation dates for this program are contingent upon the rate at which cigarette tax revenues accumulate. If this revenue accumulates at a slower rate than anticipated, registration and the start of the benefit period could be delayed. Since this legislation just became law, we are still in the process of developing the infrastructure. The Auditor's Office website will be updated frequently with the latest developments.

We will update our website with new information as it becomes available. If you have additional questions, check the website at www.sao.mt.gov or call my office at 444-2040 or toll-free at 1-800-332-6148.

For thousands of working Montanans, affordable health care has remained out of reach for far too long. It's a crisis seen across the country. Here in Montana, this new program will provide less expensive health insurance to thousands of Montana families.

Applications available in September and accepted on a first come, first served basis beginning on 10/01/2005. Funding is provided by a \$1.00 increase to the price of cigarettes, passed in 2004 by Montana voters. Number of applicants admitted to the program, is dependent upon cigarette sales. Funding and sustainability of the Small Business Health Insurance Pool is determined on an annual basis.

The Small Business Health Care Affordability Act Background

ASSISTANCE FOR CURRENTLY INSURED SMALL BUSINESSES

Employer refundable (annual) tax credits

Description: Provides a refundable state income tax credit to employers who currently pay some or all of the cost of group health insurance for their employees. Also provides additional Tax Credits when employers pay for insurance for the employee's spouse or their dependants. Approximately 40% of the available funding per year is designated to the Employer Tax Credit. The funds for tax credits will be distributed on a first come, first served basis until the money is fully allocated.

Employer Qualifications: In order to qualify for an Employer Tax Credit the employer must meet all the following criteria:

1. The employer already provides employee health insurance;
2. The employer has a number of employees that meets the eligibility criteria established by the State Auditor's Office (between 2–5 employees);
3. The tax credit cannot be more than 50% of premiums paid;
4. No employee is paid more than \$75,000 per year (owner excluded).

Tax Credit Amounts: The following are the tax credits that may be claimed under HB 667 for each eligible employee, spouse and dependants:

Tax Credit Amounts	Employee Only	Employee's Spouse	Employee's Dependants
Employer Tax Credit:	\$100/month	\$100/month	\$40/month

If the average age of employees is 45 or older, the tax credit for an employee increases to \$125.00.

ASSISTANCE FOR CURRENTLY UNINSURED SMALL BUSINESSES

Premium assistance and incentive payments

Description: Provides a monthly assistance payment for both the employer and the employee's portion of the health insurance premium. This assistance will pay the cost of an employee's health insurance when the employer has not offered insurance in the past, but begins to do so through the new State Health Insurance Purchasing Pool created by HB 667, or through a qualified Association Plan. About 60% of the available funding is designated to make these Employee Assistance Payments and Employer Premium Incentives. The funds will be distributed on a first come, first served basis. The size of each employee's Premium Assistance Payment will be established by the Purchasing Pool Board of Directors.

Employer/Employee Qualifications: To qualify for Premium Incentive and Assistance Payments employers and employees must meet the following criteria:

1. The employer does not currently provide employee health insurance;
2. The employer has a number of employees that meets the eligibility criteria established by the State Auditor's Office (between 2 – 5 employees);
3. The employer begins to provide health insurance through the new State Health Insurance Purchasing Pool or another qualified Association Plan;
4. No employee is paid more than \$75,000 per year (owner excluded);
5. The employer provides health insurance to eligible employees as defined by the State Purchasing Pool Board of Directors; and
6. Employees meet the income and other eligibility criteria established by the Board of Directors of the Purchasing Pool.