NO STICKER SHOCK HERE

Early peeks at state health exchanges show steep discounts and tax credits could offer welcome relief for many farmers and their employees.

BY MARCIA ZARLEY TAYLOR

Idaho farmer Dick Wittman wants affordable health care options for himself and employees, something new state insurance exchanges and tax credits could offer individuals starting in 2014. PHOTO: KYLE MILLS

Idaho farmer Dick Wittman is on the hunt for affordable health insurance. His wife retired from her off-farm job a year ago, and their COBRA coverage will soon run out. They're also too young for Medicare, which doesn't kick in until age 65.

What's more, Wittman and his family partners feel an obligation to make sure their farm's 15 year-round and part-time employees aren't bankrupted should they or their families become sick.

That means the Wittmans were among the first in line Oct. 1 to study whether state health care marketplaces offer small business owners and their uninsured workers better deals than they could buy on the open market.

DO HOMEWORK. "Our net cost for health care could be significantly less than it is today, but we just have to study the options," says Wittman, a manager of a 19,000-acre family-farm partnership involving crops, cattle and timber. Until now, the farm has offered a cafeteria plan that helps the owners and their employees buy insurance on their own. Wittman isn't sure if that arrangement will be viable in the future.

RISING COSTS. The complexity and cost of current health coverage is a major issue for farmers. Many have seen their premiums jump another 15 to 20% in the past year. "Often, the annual insurance premium increases turn out to be more than the amount we would annually budget for employee raises," Wittman says. That means workers are channeling all their cost-of-living adjustments just to cover health costs. It also weighs on the Wittmans' decision to add full-time employees.

EXCHANGES MAY OFFER MORE FOR LESS. It's tough to compare the kinds of coverage nongroup insurance buyers get now with what's coming, in part because it's an apples-to-oranges comparison. Government mandates improve individual options by requiring coverage for such things as maternity care, which are

often excluded from individual buys now.

But new studies by the Kaiser Family Foundation should give Wittman some peace of mind. Kaiser researchers say Americans who currently buy their own insurance through the individual market stand to benefit the most from health care reform.

About half of the individuals who buy insurance through the new state exchanges will qualify for some type of government assistance, the Kaiser Foundation says. Those families that do could knock an average of $5,548 off their insurance premiums next year. The tax credits and other subsidies would cover almost one-third of the premiums on average for this group of enrollees in a so-called "silver" plan, which covers 70% of medical costs and will have deductibles of about $1,500 to $2,000 per person. All plans cap maximum out-of-pocket expenses at $6,350.

FEW AG EMPLOYEES PAY STICKER PRICE. Don't underestimate the help that's coming your way, experts say. Few farm employees will pay sticker price for their insurance in the new exchanges. Be sure to consider the deep discounts when studying options.

Individuals with income as high as $46,000, and families of four with income up to $94,000 qualify for a sliding scale of tax credits that can slash medical costs. If lower wage consumers opt for the cheapest kinds of "bronze" plans, insurance premiums could be free, Kaiser researchers point out.

The net result is that a 25-year-old single worker near Sioux Falls, S.D., who earns $25,000 per year would pay only $144 per month after tax credits for "silver" coverage, Kaiser says. A 40-year-old couple earning $60,000 with two minors would pay $409 per month for the same plan. Without any tax credits, that same family plan would cost $790 per month.

Keep in mind, some of Wittman's young employees are spending $1,600 per month to insure a wife and two young children with Cadillac coverage now. That's more than a month's wage and something he considers unsustainable.

BETTER COVERAGE. In many cases, state-offered plans also improve upon coverage that cost-conscious buyers had been acquiring to date. Without the same clout that big business enjoys, current nongroup rates are higher; basic benefits like prescription drugs, mental health or maternity care often are missing; and deductibles can run as high as $10,000 a year. Solo operators also risk being denied coverage for pre-existing medical conditions like diabetes, cancer or heart attacks. All of those issues are improved with coverage inside the state marketplace.

American farms—especially grain operations—average fewer than 50 full-time employees so will not be required to offer insurance to their employees under the new law. Those that do may have second thoughts about their group coverage now.

"Most farm workers earn under $50,000 a year, so they could be in line for some pretty nice subsidies," says Andy Biebl, a CPA and agricultural tax specialist with CliftonLarsonAllen LLP, in Minneapolis. "It means some small employers may well be able to get out of the business of providing health insurance.

"We've had some owners without a lot of highly compensated employees run our calculator and say they ought to quit subsidizing insurance themselves and let the government do it," he continues. "They may not agree with the concept, but it's crazy to turn the money down."

MORE REASONS TO DROP COVERAGE. Another big incentive for small businesses to drop coverage will hit several years from now, when Biebl expects final IRS regulations on "discriminatory" health plans. It's common for farmers to offer insurance coverage to business owners and select key employees, but not all their workers. Sometimes employees who have worked the same number of years aren't offered insurance, but a more valued employee is.

> **"... it's crazy to turn the money down."**
>
> —ANDY BIEBL, AG TAX SPECIALIST

"They'll need to watch every year that their plans don't fall into IRS's definition of discriminatory, because the penalty is just about a death sentence—$36,500 annually for each employee violation," Biebl says.

That has the Wittmans scrambling to decide whether all employees and partners should jump into the pool as individuals, or whether they can craft a small group plan that won't break the bank.

"I don't worry as much about myself as I do for my employees," Wittman says. "We don't want them to risk their entire financial security going without insurance. We've seen the disasters that happen when people cut corners. I don't want that on my conscience." ●

For all DTN-*The Progressive Farmer* coverage on health care reform, go to www.dtn.com/ag/indepth.

For more information on tax credits available through state health insurance marketplaces, visit:

kff.org/health-reform/issue-brief/an-early-look-at-premiums-and-insurer-participation-in-health-insurance-marketplaces-2014

kff.org/health-reform/issue-brief/quantifying-tax-credits-for-people-now-buying-insurance-on-their-own