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# Why Some People Are Refusing Health Care

By Ellen Chang



NEW YORK (MainStreet) — Employees are opting out of the health insurance plans offered by their companies, because they have found cheaper alternatives on a state exchange or private insurance while other employees are being covered by their spouse's plan.

More than 90% of all businesses in the United States are small businesses, said Anthony Lopez, manager of small business at eHealth.com, an online health insurance exchange based in Mountain View, Calif.

"Many of them will find that the ACA provides them with more opportunities than burdens," he said. "Working with a licensed agent is especially valuable for small businesses if they want to get the most for their insurance dollars."

Some companies will ask their employees to sign a waiver stating they were offered coverage, but denied it, said Tracy Morley, legal editor for XpertHR, a New Providence, N.J. online service providing HR professionals with employment law information.

"If an individual does not elect to have health insurance coverage, the employer would typically have him or her sign a form indicating that coverage is waived," she said. "The form generally includes a statement that the employee understands that if coverage is waived, he or she may not be eligible until the next open enrollment period unless there is a qualifying event."

Since there are no strict rules or guidelines, some employers also ask for documentation of other coverage if the employee waives it, Morley said. If you are a new employee, you will be asked to complete this form at the time you are eligible for coverage.

Some employees are denying the coverage, because they can not afford their portion of the insurance premium. Large employers or those with 50 or more employees are now required by the Affordable Care Act to offer a plan that meets two standards – minimum essential coverage value and affordability. Effective for calendar year 2015, these employers must offer adequate, affordable health benefits to their full-time employees or they may face penalties, said Pamela Tahim, a senior associate at Tredway Lumsdaine & Doyle, a Long Beach, Calif. business law firm. Full-time employees are those working at least 30 hours per week.

If an employee denies health coverage because he or she is covered by a spouse, then there is not an issue for the employer regardless of the size of the company. However, for large employers that do offer "minimum essential coverage," they will still be assessed a penalty of $3,000 per employee that receives a subsidy through the exchanges because their share of the premium for the employer's group health plan exceeds 9.5% of their household income, she said. This penalty excludes the first 30 employees and is $2,000 for each employee.

"It is important for large employers to determine what the threshold numbers are to make sure that the health insurance plans offered are affordable to avoid having the employees utilize the exchange, which will result in a premium penalty to the employer," Tahim said.

By law, the health insurance plans offered by large employers must offer a minimum value which is defined as satisfying a 60% actuarial value test. This means that a plan would pay for at least 60% of medical expenses on average for a standard population. Many employers are undertaking compliance reviews to have their health plan offerings audited and certified to mitigate the potential risk for tax penalties, she said.

If the plan chosen by the employer has an especially high deductible or other cost-sharing, then it could fail the minimum value test, said Brian Haile, senior vice president for health policy for Jackson Hewitt Tax Service. It meets the affordability test if the monthly premium for employee-only coverage does not exceed 9.5% of the employee's total household income.

If the plan fails either test, then the employee can go to the marketplace and receive a tax credit and buy a qualified one from the exchange, he said.

One advantage of the law is that it requires employers to give coverage for new employees within 90 days instead of a longer waiting period.

Employers and health insurance issuers are required to report to the IRS each year about the coverage they provide and who received it, Morley said.

The IRS is likely to issue information later this summer on what type of documentation is required when individuals file their taxes in 2015, said Haile. All individuals will be required to have proof, even if they work for a company with 50 or less employees and are buying private health insurance coverage.

Consumers who receive a tax credit will have obtained it based on their estimated income and will have to reconcile the difference when they are filing their taxes, he said.

"The IRS is still puzzling over exactly what the documentation requirements will be," he said. "The requirements are going to be fairly reasonable in the first year."

Consumers should keep records such as statements from the insurance company such as a certificate of credible coverage or a 1098, Haile said. In the future, consumers could receive a form from insurance companies that resembles a W-2 form and will file the paperwork with their taxes.

"People are just absolutely confused about this," he said. "We are committed to explaining it in language that you can understand."

Consumers can bring in their completed returns for a free review at any Jackson Hewitt office and discuss how the ACA affects them.

"People have been struggling with the ACA and tax issues for quite awhile," Haile said. "This is just an important community service that we are providing."

Large employers will face penalties if they offer health insurance that is not affordable and its employees obtain health insurance subsidies using the exchange, Tahim said. This could potentially affect whether or not a potential candidate for employment who refuses the employer's health insurance is hired since it will ultimately cost the employer a penalty if that employee uses the exchange, she said.

Employees may decline their employers' health coverage even if it is affordable and adequate, Tahim said. This is called a waiver of coverage. Employees who decline coverage considered affordable and adequate under the Affordable Care Act will not qualify for government subsidies to purchase individual health insurance.

Some smaller business owners or those with less than 50 employees are opting to not provide coverage, said Sheldon Blumling, a partner at Fisher & Phillips, an Irvine, Calif. labor and employment law firm.

"There is a real business case for small employers to get out of the business of providing health care benefits because there are other options that may be more efficient and less costly," he said. "Sometimes it makes more sense to get coverage from the exchange."

Another issue for companies is that if the plan is not affordable for every single full-time employee, then they still might be exposed to the $3,000 penalty.

"You have to make sure the cheapest plan you offer to employees is not more than 9.5% of their household income," he said.

With all these changes to health care, consumers should note that it means more stable and lower premiums in the future, said Mitch Geiger, director of regulatory compliance for PrimePay, employee management solutions provider in West Chester, Pa. and a former Department of Labor investigator.

Individuals are also being financially incentivized to go see a doctor without having to pay a co-pay compared to a higher cost at the emergency room.