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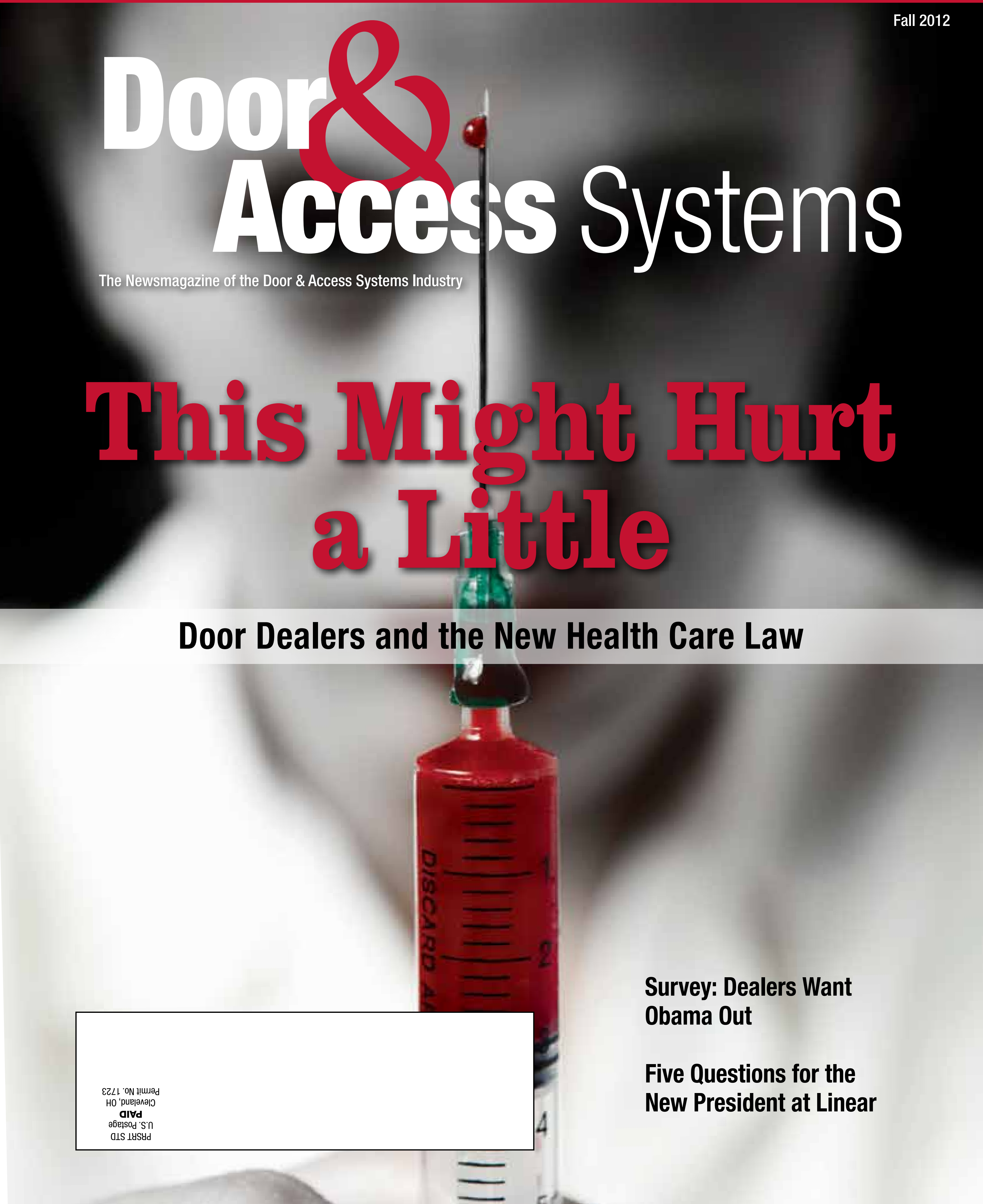

This Might Hurt a Little

Door Dealers and the New Health Care Law

Survey: Dealers Want Obama Out

Five Questions for the New President at Linear

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This Might Hurt a Little

By Tom Wadsworth, CDDC
Editor, Door & Access Systems Newsmagazine

Door Dealers and the New Health Care Law

Editor's Note:

Often described as Obamacare, the Patient Protection and Affordable Care Act (ACA or PPACA) was approved by Congress and signed by President Obama in March of 2010. Several aspects of the broad-sweeping legislation were rolled out in 2010, 2011, and 2012.

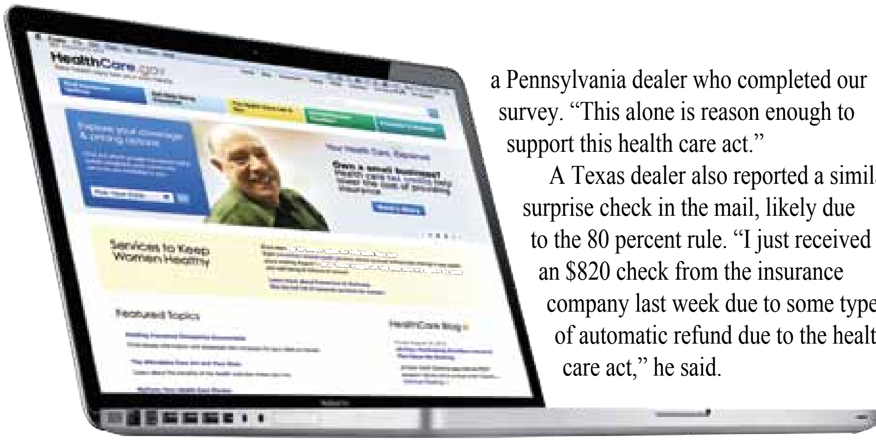
At Expo 2012, a couple of door and access systems dealers mentioned to me that health insurance costs are becoming an increasing concern, to the point of crippling their businesses. To learn more, we decided to conduct a nationwide survey to see if other dealers are experiencing similar effects.

Our survey revealed several eye-opening details, both positive and negative, about the effects of ACA on door dealers and other small businesses. Knowing that misinformation is often rampant during an election year, we have consulted the law itself and HealthCare.gov, the federal government's new website, to verify pertinent details about the new law.*

This article is not intended to cover every aspect of the new health care law. However, we are focusing on the immediate impact on health insurance costs as reported by door and access systems dealers nationwide. As always, our goal is to provide helpful guidance on a topic of increasing concern to our industry.

**ABOUT THE SURVEY*
Invitations to our online survey, conducted July 21 to 31, 2012, were sent to 1,962 U.S. dealers, and 211 responded.

Respondents had an average of 17 employees, although 47 percent had 10 or fewer employees. Only six percent of respondents had more than 50 employees. Based on previous D&AS studies, this was a good cross-section of our industry.



According to a new Door & Access Systems survey of 211 door and access systems dealers nationwide, health insurance costs have increased for 95 percent of dealers. Overall, the average dealer in our survey has been hit with an 18 percent increase since the new health care law was enacted in 2010, well ahead of the rate of inflation.

This article will identify …

- Strategies that dealers are using to adjust to the higher rates,
- Some ACA perks you may be missing, and
- Some problems that the health care law is causing for dealers.

Adjusting to Added Costs

We asked dealers to identify the kinds of measures they've taken in the last two years to respond to the increased cost of health insurance. Although several dealers said that they have absorbed the increases, most have been forced to change aspects of their plans.

The most common adjustments dealers are making are: (1) increasing deductibles (cited by 49% of dealers), (2) increasing premiums paid by employees (37% of dealers), and (3) increasing co-pay amounts paid by employees (30%). *(See Popular Policy Changes on p. 40.)*

Thus, health insurance costs are not only increasing for dealers, but also are increasing for their employees.

Positives: Money Back

But the new health care plan has some positive aspects, too. Under ACA, if insurance companies don't spend at least 80 percent of your premium dollar on medical care rather than advertising or bonuses for executives, they must provide you a rebate. The first rebates were issued in the summer of 2012, and some dealers have been cashing in.

"I just received a rebate for 2011 from my insurance company because they paid 29.9 percent for salaries and overhead," said a Pennsylvania dealer who completed our survey. "This alone is reason enough to support this health care act."

A Texas dealer also reported a similar surprise check in the mail, likely due to the 80 percent rule. "I just received an $820 check from the insurance company last week due to some type of automatic refund due to the health care act," he said.

Because of the 80 percent rule, nearly 13 million Americans were expected to benefit from $1.1 billion in rebates from insurance companies due by Aug. 1, 2012, according to HealthCare.gov.

Positives: Level Playing Field?

Three different dealers, two in Ohio and one in Minnesota, commented that they like the new law because it "levels the playing field" when competing against companies that don't offer health insurance to employees.

We're not sure how the law helps compete against these smaller companies. According to HealthCare.gov, "the Affordable Care Act does not require employers to provide health insurance for their employees." Thus, the smaller dealer is still under no pressure to provide insurance.

A dealer in Oregon actually felt that the law makes it harder for established dealers. "This outrageous law will continue to drive out the large- to middle-size door businesses trying to compete in an ever-growing tail-gate business."

Starting in 2014, businesses with 50 or more full-time workers will be penalized if they "do not provide adequate health insurance."

Specifically, according to HealthCare.gov, these larger businesses will be "required to pay an assessment if their employees receive premium tax credits to buy their own insurance. The assessment for a large employer that does not offer coverage will be $2,000 per full-time employee beyond the company's first 30 workers."

> ***"I just received a rebate for 2011 from my insurance company because they paid 29.9 percent for salaries and overhead. This alone is reason enough to support this health care act."***
>
> - Pennsylvania dealer

Positives: Tax Credit

One feature of the law that could help the smaller established door dealer is the tax credit for companies with fewer than 25 employees. The government estimates that about four million firms should be eligible for this tax credit.

"If you have fewer than 25 (full-time equivalent) employees and provide health insurance, you may qualify for a tax credit of up to 35 percent to offset the cost of your insurance," according to HealthCare.gov. In 2014, this credit will increase to 50 percent.

"Due to the health care tax credit, I saved several thousand dollars," said a dealer in Florida.

A door dealer in Oregon may have been referring to this tax credit when he told us, "I appreciate the government cost sharing of health insurance premiums paid for employees. Considering that, my costs have actually gone down."

Positives: Costs Going Down

Two other dealers reported some savings from a self-funded approach.

"For our current plan year, we were fortunate to see our health care costs decrease significantly by going to a partially self-insured health insurance plan," said Ray Elliott, CFO of a larger door and gate access control firm based in Colorado. The company has established an HSA (Health Savings Account).

"We are partially self-funded, which has kept our costs down," added an Idaho door dealer. "We're looking at being 100 percent self-insured."

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These self-funded approaches carry some benefits, but the new law brings some changes to HSAs, FSAs (Flexible Spending Accounts), and HRAs (Health Reimbursement Accounts). Check with your insurer or HealthCare.gov for more information on these changes.

Positives: High-Risk Patients

"We absolutely love this health care law so far," said Denny Kunk of Denny's Door in Celina, Ohio. He added that ACA's mandated coverage for high-risk patients and children up to age 26 has "saved us a bundle already."

Under the new plan, HealthCare.gov says, "A Pre-Existing Condition Insurance Plan (PCIP) provides new coverage options to individuals who have been uninsured for at least six months because of a pre-existing condition." This plan is now optional in each state, but in 2014, "all discrimination against pre-existing conditions will be prohibited."

> ***"These benefits must necessarily be covered by higher premiums."***
>
> - Douglas Holtz-Eakin, Ph.D.

"I like the fact that no one can be denied coverage because of pre-existing conditions," added a Pennsylvania dealer. "I also like the elimination of lifetime maximum payouts by the insurance companies."

Effective in late 2010, "insurance companies are prohibited from imposing lifetime dollar limits on essential benefits, like hospital stays," says HealthCare.gov. Then, in 2014, "no annual dollar limits are allowed on most covered benefits."

Who's Paying for Increased Coverage?

Since insurance companies are now being forced to cover more people and more conditions, it raises the question, "Where will the insurance companies get the money to pay for the mandated increased coverage?" After all, you rarely get something for nothing.

Robert Zirkelbach, a spokesman for America's Health Insurance Plans, a trade association for health insurance companies, told us, "It's a basic principle of economics that when you add benefits to a policy, it adds to the cost of coverage."

Douglas Holtz-Eakin, Ph.D., former director of the Congressional Budget Office and former chair of the economics department at Syracuse University, has authored a white paper analysis of ACA and its benefits. He concluded, "These benefits must necessarily be covered by higher premiums," adding that small businesses will see "substantially" increased premiums.

Our survey indicates that he's right. According to our survey, 95 percent of dealers have seen an average increase of 18 percent since ACA was enacted, while six percent of dealers have seen increases over 40 percent.

Ken Fritch of Blue Valley Door in Beatrice, Neb., finds his company in a situation that may be representative of many dealers. "Our health insurance went up 17 percent the last two years for our 18 employees," he said.

Negatives: Increased Rates

"ACA is definitely affecting our health care costs, but in a negative manner," said Gregory Fisher of Maryville Glass and Lock in Maryville, Mo. He noted the "preventative measures taken by insurance providers" to cover their anticipated costs forced by ACA's mandated extra coverage.

"I have only seen our health insurance premiums increase since 2009-2010," said a dealer in Texas. "(The insurance companies) started the increase when (they realized) that the health care law would (likely) be enacted."

COMPANY COVERAGE FOR OWNERS

- 73 percent of responding companies currently pay some portion of the health care insurance costs for the owner(s) of their company.
- Of those companies that pay some of the owner's health insurance, 58 percent pay 100 percent of those costs.
- 69 percent of all respondents currently offer health care insurance to non-owner employees.

- D&AS Health Care Survey

"It was my understanding that health care reform was to help save money for the consumer … What a joke!" said a Southern California dealer. He said his rates have increased so much in the last two years that he "would never be able to recoup the money" he has paid out.

"Seven years ago when we started the health insurance benefit, we had four people on the program," reported an Oregon dealer. "Now we have just three people on the program and are paying 55 percent more in premiums."

A Florida dealer cited a similar experience, noting that his insurance rates have increased almost twice as much in the last two years as compared with the previous six years.

Regulators Reviewing Rates

To deal with unjustified increases, HealthCare.gov says, "The Affordable Care Act creates a Rate Review program in your state to help protect individuals and small businesses from unreasonable health insurance rate increases." Under this program, which started in 2011, "health insurers must justify any rate increase of 10 percent or more before the increase takes effect."

It's unclear to us exactly how the program works, how much government expense is required, and whether the program is actually working. We are unaware of any insurance company that has been denied a rate increase, although some cases may exist.

Negatives: Dropping or Reducing Coverage

While some dealers noted that they are absorbing the increases, most dealers indicated that they have been forced to make significant changes to their plans.

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Many employees are left with health insurance that costs more but provides less coverage.

Even though the new law intended to get more Americans covered by health insurance, rate increases from insurance companies are creating the opposite effect for some. Three dealers in Indiana, Illinois, and Virginia told us that the increased insurance costs have forced them to completely drop coverage for employees.

While few dealers have dropped coverage altogether, several dealers reported that they've been forced to make cuts to the coverage offered to employees.

Gordon McGraw of Overhead Door of Eugene, Ore., said, "In order to maintain a level cost, we have had to reduce our coverage and increase the out-of-pocket for employees."

"Our premiums have increased at a faster pace the last two years, and the quality of our health care plan has been substantially reduced," said Bryan Palchik of Northland Door Systems in Prairie du Sac, Wis.

Rob Jones at Best Overhead Door in Tualatin, Ore., said, "Because health insurance increases at a higher rate than the economy, we have been forced to drop dental and raise the deductible for our employees."

A New York dealer succinctly added, "We are paying more and getting less."

Proudly Offering Coverage

Many dealers spoke proudly about their commitment to offer employees good health insurance. Another dealer in New York said he strongly intends to "retain these long-time well-trained technicians who are the backbone of our success."

"We pay 100 percent of all our employees' health care insurance," added a Texas dealer. "I believe all companies should include this in their cost of doing business."

Similar comments were made by Don McKiernan of Door One USA in Gainesville, Fla., and Henry Tarnow of Tarnow Door, Farmington Hills, Mich.

Negatives: Attracting Good Employees

Yet, the rising costs are creating rising tensions for many dealers and their employees. "We are in a lose-lose situation with health care," said a dealer in Indiana. He said his employees are upset because of reduced benefits and restricted wage increases caused by the rising health insurance costs.

"What I worry about, besides increasing premium costs, is how you are supposed to attract and keep good employees if you turn them over to the exchange," said Tom Murnan of Omaha Door & Window, Omaha, Neb.

Insurance Exchanges

What is an exchange? "An exchange is a new marketplace where individuals and small businesses can buy affordable health benefit plans," says HealthCare.gov.

Starting in 2014, "workers meeting certain requirements who cannot afford the coverage provided by their employer may take whatever funds their employer might have contributed to their insurance … to help purchase a more affordable plan in the … exchanges."

Stay Tuned …

Door and access systems dealers are clearly experiencing both positive and negative effects from the new health care law. It's a good time to educate yourself on your options to minimize risks to your business.

Since the certified copy of the law contains 2,409 pages, it's not easy to grasp all the ramifications therein. However, HealthCare.gov is an easy-to-use website where you can learn more about the law and compare options.

Three Quick Tips

For now, here are some quick tips for door dealers:

1. **Get the facts.** Rumors are rampant; use HealthCare.gov for reliable information.
2. **Get quotes** from different health insurance providers. It pays to shop around.
3. **Get the tax credit.** See if you qualify at www.irs.gov/sbhtc.

Many of the new law's provisions are already in place, but some key provisions are being rolled out in 2014. In a recent interview with ABC, a White House spokesperson said, "Once health care reform fully takes hold in 2014 and beyond, employers will have more tools and more ability to help bring down costs."

We'll see … ■

To comment on this story, send an email to the editor at trw@tomwadsworth.com.

POPULAR POLICY CHANGES

Our survey asked dealers, "Since the enactment of the PPACA of 2010, what measures have you taken to respond to the increased cost of health care insurance?"

- 49% of dealers have increased deductibles.
- 37% have increased premiums paid by employees.
- 30% have increased co-pay amounts paid by employees.
- 25% have increased the employees' maximum out-of-pocket expense.
- 16% have increased the co-insurance amount paid by employees.
- 12% have established health savings accounts.

TIP: Work with your insurance provider to explore options that work for you.

FAST FACTS FOR SMALL BUSINESSES

From HealthCare.gov

- If you have up to 25 (full-time equivalent) employees, pay average annual wages below $50,000, and provide health insurance, you may qualify for a small business tax credit of up to 35% to offset the cost of your insurance.
- Starting in 2014, the small business tax credit goes up to 50% for qualifying businesses.
- In 2014, small businesses with generally fewer than 100 employees can shop in an Affordable Insurance Exchange, which gives you … better choices and lower prices.
- Under the health care law, employer-based plans that provide health insurance to retirees ages 55-64 can now get financial help through the Early Retiree Reinsurance Program (see www.errp.gov).
- Employers with fewer than 50 employees are exempt from new employer responsibility policies. They don't have to pay an assessment if their employees get tax credits through an Exchange.