

Walk down the carpeted hallways of Westwind Media in Burbank, Calif., and it's common to hear the odd explosion, the hum of traffic or a burst of gunfire.

It's here in these edit bays that small feature films and TV dramas like the ABC hits *Grey's Anatomy* and *Scandal* and CBS's *Person of Interest* get primed and polished for prime-time viewing.

While about 45 employees work here to make Hollywood magic happen, general manager Sunder Ramani is focused on the less exotic work of paying the bills and figuring out how to provide health insurance to about 15 workers who don't have union-provided health coverage.

"Up until about two years ago, we had probably the Cadillac of plans for our employees," he says. "We picked up 100 percent of that plan, which was, I think, a huge tool in our arsenal in terms of getting good people to come work for us."

Double-digit premium increases in recent years have forced Ramani to downgrade his employee coverage, which his insurance broker has warned may soon soar another 25 to 35 percent above last year's increase.

"Which is a significant hit," Ramani says, "but they can't tell me enough yet until we get closer to that time. So I'm here in a limbo world trying to decide what it is I'm going to do."

One new option he'll soon have is to buy insurance through Covered California's SHOP exchange. SHOP stands for Small Business Health Options Program. It's California's version of a small-business insurance program that is part of the federal Affordable Care Act. The state has 500,000 small businesses.

All states are offering similar small-business exchanges. These are marketplaces for employers with 50 or fewer full-time workers and are designed to offer more affordable insurance to mom-and-pop businesses that have long paid more than large companies for the same level of coverage.

"Small businesses are horribly disadvantaged in terms of being able to purchase insurance," says Peter Harbage, president of a Sacramento-based health policy firm. "If they're even able to purchase it, they have to pay more and they get less."

Harbage says that not only will SHOP plans offer competitive prices, but they will also offer tax benefits that for some smaller companies might cut premium prices in half.

The California executive director for the National Federation of Independent Business, and represents more than 22,000 small businesses in California is not so optimistic.

"There are a lot of uncertainties as it relates to the law," he says. "We are hopeful that they will find affordable coverage within the exchange. We are hopeful they will have the ability to pick and choose in the marketplace."

Business owners will need to closely inspect the policies offered as some participating insurance companies have announced they're keeping premiums lower by offering a smaller network of doctors and hospitals. And that means fewer choices for employees.

And whether or not a small business opts to provide workers health coverage, there's really no way for them to avoid the extra time and cost it will take to navigate the new law's reporting requirements. And that's a concern shared by Westwind's Ramani.

"Small business doesn't have scale," Ramani says. "We don't have a legal department. We don't have an HR department. We navigate through mountains of regulations, not just about health care but about everything we do here. We're just getting bombarded on all levels."

For now, Ramani says he'll sit tight and watch before deciding whether the SHOP marketplace will provide him a better way to buy affordable, quality health insurance for his employees.

Under the Affordable Care Act, small businesses are not required to provide insurance to their workers. Only those with more than 50 employees must do so, beginning in 2015.

Why Should a Small Business Want to Offer Coverage?

Providing a health insurance benefit to their employees is a sound business decision. Here are just some of the reasons:

➤Offering health insurance helps attract and retain high-quality, key employees. The U.S. Department of Labor estimates that, on average,

recruitment and employee turnover in small businesses account for 30 percent of salary costs.

- Evidence shows that insured persons are healthier, and better health increases worker productivity, which can enhance a company's performance.
- The health insurance premiums your company pays are fully tax-deductible and are non-taxable income for employees.
- Health insurance provides workers and their families with protection from catastrophic financial losses that can accompany serious illness or injury.

Important Facts About Health Insurance

Lack of information may keep some small business owners from exploring health insurance options for their employees or themselves. Below is a list of important facts to keep in mind when thinking about health insurance.

⊖ Businesses may benefit economically by providing health coverage for workers and their families. Health insurance may help employers:

- Recruit high-quality workers
- Reduce staff turnover
- Reduce the cost of absenteeism
- Limit disability and workers' compensation claims

⊖ Employees consider health insurance to be, by far, the most important fringe benefit.

ξ There are tax benefits when you offer health insurance to your workers:

- The health insurance premiums your company pays are fully taxdeductible as a business expense.

This tax deduction may be thought of as a discount to the cost of health insurance.

- Employees may make their premium contributions on a pre-tax

basis through payroll deductions, which makes coverage more affordable for workers.

■ Self-employed persons may deduct 100 percent of the cost of their health insurance premiums from their adjusted gross income.

■ Health insurance payments are excluded from base payroll when calculating an employer's Medicare and Social Security payments. An equivalent amount paid in wages would be subject to Medicare and Social Security taxes.

ψ Typically, health insurance costs substantially less when you buy it as a member of a group rather than on your own.

ζ Health insurance coverage gives you access to the price reductions that health insurance companies negotiate with doctors and other health care providers.

{ Even if an employee or dependent is in poor health, federal law prohibits insurers from denying coverage to the company, the employee or the dependent.