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Affordable Care Act and Your Ag Business

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CORNHUSKER ECONOMICS

UNIVERSITY OF
Nebraska
Lincoln

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Institute of Agriculture & Natural Resources
Department of Agricultural Economics
<http://agecon.unl.edu/cornhuskereconomics>

University of Nebraska–Lincoln Extension

Affordable Care Act and Your Ag Business

Market Report	Yr Ago	4 Wks Ago	9/27/13
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$123.00	\$123.83	\$126.00
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.....	162.70	188.35	190.63
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.....	144.46	166.58	175.48
Choice Boxed Beef, 600-750 lb. Carcass.....	191.77	195.91	193.43
Western Corn Belt Base Hog Price Carcass, Negotiated.....	74.54	87.19	92.10
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.....	79.41	96.88	100.57
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.....	85.75	102.00	128.38
National Carcass Lamb Cutout, FOB.....	311.15	279.26	283.98
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.....	8.44	6.72	7.02
Corn, No. 2, Yellow Nebraska City, bu.....	7.44	6.12	4.42
Soybeans, No. 1, Yellow Nebraska City, bu.....	15.61	14.33	12.35
Grain Sorghum, No. 2, Yellow Dorchester, cwt.....	12.61	9.32	7.18
Oats, No. 2, Heavy Minneapolis, MN, bu.....	3.85	3.63	3.42
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.....	237.50	242.50	250.00
Alfalfa, Large Rounds, Good Platte Valley, ton.....	212.50	162.50	145.00
Grass Hay, Large Rounds, Good Nebraska, ton.....	185.00	125.00	122.50
Dried Distillers Grains, 10% Moisture, Nebraska Average.....	276.50	220.00	210.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.....	110.13	77.50	68.50
*No Market			

Implementation of the Affordable Care Act (ACA) is steadily moving forward. Whether you agree or disagree with the ACA, the fact is that it is currently the national law. Already we are seeing changes affecting how hospitals, doctors and insurance carriers operate. Regulations impacting individuals and businesses in the areas of benefits covered, maximum out-of-pocket costs, taxes and penalties began on October 1st. Spend time now to evaluate how these changes will affect you, your family and your business operations. Additional resources and current information on the ACA law are available from the University of Nebraska–Lincoln Extension at <http://eship.unl.edu/healthcare>.

Individual-Shared Responsibility Provision

Effective January 1, 2014 the ACA mandates that all individuals, including children, have health insurance coverage or incur an additional federal income tax. The additional health care tax for 2014 will be \$95 per adult and \$47.50 per child, or up to \$285 for a family or one percent of the family income, whichever is greater. By 2016, the penalty tax rises to \$2,085 for a family or 2.5 percent of the family income, whichever is greater.

Individuals who are self-employed may purchase insurance through the Federal Marketplace Exchange, member-owned cooperative or private insurer. Plans should be carefully evaluated for out-of-pocket costs (co-pays, premiums and deductibles), benefits provided and scope of doctor/service networks available. The University of Maryland Extension has developed worksheets to help determine insurance coverage needs. Worksheets are available at <http://eship.unl.edu/self-employed>.

Federal subsidies are available to help off-set insurance premium costs. However, they are only available if individuals enroll in the Federal Marketplace Exchange. To



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qualify, individuals must meet residency requirements: live in the United States; qualify as a U.S. citizen, U.S. national, or be lawfully present in the U.S.; and not currently incarcerated. Individuals and families may qualify if they fall under the 400 percent federal poverty level (maximum \$45,960 for an individual; \$94,200 for a family of four). The subsidy amounts are based on income levels. Individuals covered by Medicaid do not enroll in the individual Marketplace Exchange.

Regulations and Employer Size

Legally, under the ACA there are no distinctions between agricultural enterprises and non-agricultural enterprises. How the ACA will affect an agricultural business depends largely on the number of employees in the business.

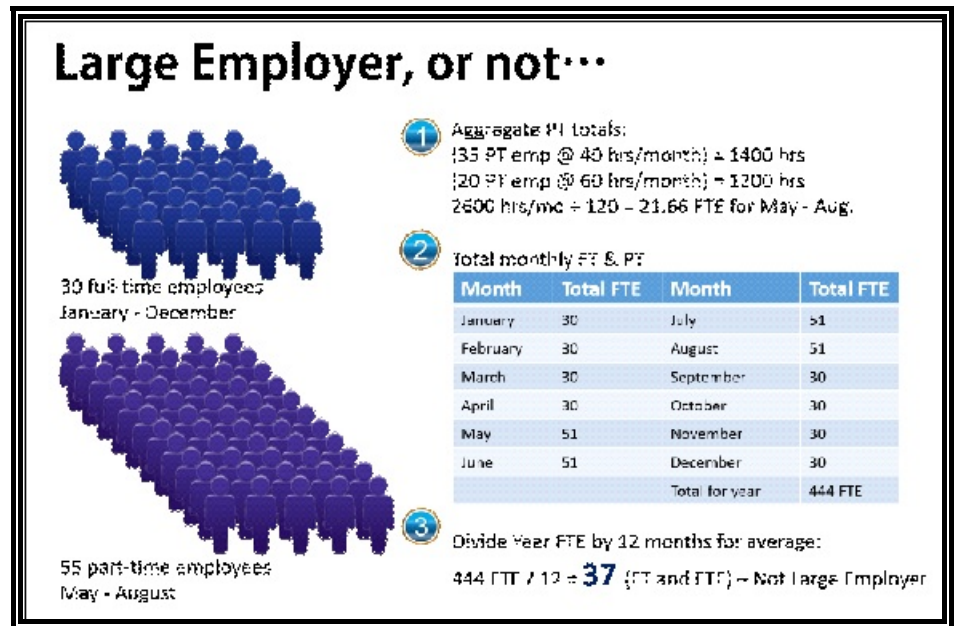
- Fifty or more FTE:** Businesses that have greater than 50 full-time or full-time equivalent employees are required, starting on January 1, 2015, to provide coverage for their full-time staff and their dependents, or incur fines for each month coverage is not provided. Coverage plans must meet the new ACA required guidelines, unless exempted.
- Less than 50 FTE:** Businesses that employ less than 50 FTE employees are not required to provide health insurance coverage to their staff. If the business already provides insurance, they may choose to continue that coverage plan or select a new plan through a private exchange, member-owned cooperative or the federal small business exchange - the Small Business Health Options Program (SHOP).
- Less than 25 FTE:** Although not required, employers that do offer coverage may qualify for health insurance tax credits. To qualify, the employer must pay more than 50 percent of premium costs and have less than 25 FTE employees, with an average annual income of less than \$50,000. The tax credit can be retroactive back to 2012. However, starting in 2014, the coverage must be purchased through the SHOP exchange to qualify for the tax credit. The tax credit is provided on a sliding scale, with the smaller companies receiving up to 50 percent of their premium costs.

ACA Employment Categories

In most cases, the employer size will be easy to configure and is based on the categories listed below. If a

business is near the 50 full-time employee range, employers will want to carefully calculate their total employee numbers. Keeping records of employee hours worked will also help the business manage their insurance coverage strategies and avoid the mandatory coverage, if that is the business goal.

Full-time Employees: FT employees work on average at least 30 hours per week or 130 hours per month of service hours, which includes pay status for vacation, sick leave or other benefits. When determining the average, use a time period of not less than three months but no more than 12 consecutive months, and divide the total hours by that time period.



Part-time Employees: Hours worked by PT employees are converted to full-time equivalent (FTE) employees by combining all of the hours worked by employees with less than 30 average hours per week, and dividing the total by 120.

Seasonal Employees: The ACA does provide some leeway to agricultural employers who temporarily increase the number of their employees to accommodate for seasonal work. If seasonal employees are in service for 120 days or less and the increase is seasonal in nature, they will not count toward the full-time employee count. Should the seasonal employees work more than 120 days, they would then be counted as full-time during the months worked. This could put a company near 50 FTE over the threshold, forcing it to provide insurance or pay the shared responsibility penalty. Keeping track of employees work hours will be essential to avoiding the bump up to 50 FTE. Seasonal employment could also affect employee count and eligibility for the small business health tax credit.

Agricultural H2-A Workers: The H2-A temporary agricultural program allows agricultural employers to bring nonimmigrant foreign workers to the U.S. to perform seasonal or temporary agricultural services. Individuals employed on a farm or ranch that have a H2-A foreign agricultural worker permit are to be treated like other employees or seasonal workers.

Ownership Exemptions: When determining hours and wages, sole proprietors, partners in a partnership, shareholders owning more than two percent of an S-corporation and any owners of more than five percent of other businesses are disregarded in the employee count, as are their family members.

Common Ownership/Common Employees: For employers that have multiple entities (such as an owner having several businesses), the Internal Revenue Service (IRS) aggregation rules governing control groups apply to the ACA employer determination. This ruling states that all employees of businesses which are under common control are treated as employed by a single employer. Work with an attorney for clarification of business structures and for determining the overall employee aggregation numbers.

Employer Coverage Options

Coverage options available to employers will vary depending upon employment size. If you have less than 50 FTE, you are not required to provide insurance coverage to your employees. However, if you would like to purchase insurance to help recruit or retain employees, there are options that can be considered to reduce health coverage costs. The Extension website on Health Care for Businesses (<http://eship.unl.edu/healthcare>) provides an overview of the different options available for each business size. Talk with your insurance broker/agent, accountant, attorney or others who are well acquainted with the new health care laws to determine which option is best for you, your employees and your business.

For questions about the Affordable Care Act, email or contact members of the UNL Extension Team.

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