# Providers as employers

by Robert D. Francis in the October 3, 2012 issue

*Read the main article on faith-based care providers and the Affordable Care Act.*

Ted Goins, president and CEO of Lutheran Services Carolinas, spends a lot of time focused on the Affordable Care Act’s regulations for providers of nursing care. But the health-care reform law also affects LSC is another way: as an employer.

Starting in 2014, large employers—those with more than 50 full-time employees—must offer them affordable health insurance that meets a minimum quality standard. If employees instead use tax credits or subsidies to obtain coverage in the new insurance exchanges, employers must pay tax penalties. Requiring employers to offer good insurance is an important part of the ACA’s coverage expansion. But many nonprofits—a sector that employs 10 percent of the nation’s workforce—are concerned about this mandate.

LSC employs 1,400 people, and it currently offers coverage to about half of them—at a cost of $1 million a year. Goins isn’t sure where he’ll find the money to offer affordable coverage to the other half. It might turn out that paying the penalties is cheaper than providing coverage. But Goins is committed to doing right by his employees, and LSC is looking into its options.

Lori R. Vallelunga, president and CEO of Bethel New Life in Chicago, shares Goins’s suspicion that the penalties may be more affordable than the coverage. “We have struggled to get benefits that are affordable for our employees,” explains Vallelunga. “We have had rate increases of over 20 percent for each of the past two years, and we are on target to have health insurance rates that we cannot sustain for our employee base. Bethel is already covering 65 percent of the cost of insurance, and it is still not affordable for the majority of our employees.”

With 500 employees, Lutheran Social Services of South Dakota is also considered a large employer. According to president and CEO Betty Oldenkamp, it’s been a challenge anticipating the ACA’s impact on LSS as an employer. “LSS currently offers health insurance to all of its employees, but only about 110 of the 500 staff take it,” says Oldenkamp. “Most who don’t take it find the employee portion too expensive or are young and healthy, so they opt out.”

Small employers are exempt from these employer responsibility provisions. The law does, however, offer them some incentives to provide coverage. A tax credit is available to those that have fewer than 25 employees and seek to offer them coverage. Some have reported that this is difficult to apply for and leads to only a small credit. But Peace Community Center, a small Lutheran provider in Tacoma, Washington, appreciates the several thousand dollars it received. And executive director Bill Hanawalt says that the tax credit encouraged Peace to move forward with a formal health-care plan.

In 2014, the insurance exchanges will begin offering insurance options to employers with fewer than 100 employees (or in some states 50). Some states may also let larger employers buy group coverage through this program—but not until 2017. Ultimately, large nonprofits will have to consider their options and do their best to balance the employer requirements of the ACA, their commitment to their workers and the bottom line.