



Rejection of Medicaid Expansion Would Prove Costly for Florida’s Retail, Restaurant and Hotel Chains

Under the Affordable Care Act’s employer responsibility requirement, employers with more than 50 full-time equivalent employees who do not offer health insurance coverage to all employees working at least 30 hours per week are subject to a penalty of \$2,000 per year for each such employee.

This is the theoretical maximum penalty, however, and very few employers would pay that, if any. This is because an employer that offers *any* form of coverage to eligible employees, even if it doesn’t provide adequate benefits or is unaffordable, pays a penalty *only* for those that reject the employer coverage and instead use Premium Tax Credits to buy coverage in the Health Insurance Exchange. The penalty for each such employee is \$3,000 per year (but the total penalty may not exceed \$2,000 times the *total* number of eligible employees).

The employer pays a penalty only for eligible employees who use Premium Tax Credits to buy coverage in the Exchange. If Florida expands Medicaid, the employer pays **no** penalty for low-wage workers who enroll in Medicaid.

As a result, a large employer that does not provide meaningful, affordable coverage to its eligible low-wage employees will save \$3,000 for each such employee that enrolls in Medicaid instead of using Premium Tax Credits in the Exchange – but only if Florida elects to expand Medicaid.

Example 1: ABC Hotel

- ABC Hotel is a single establishment - independently owned and operated
- 40 employees work an average of 30 hours per week.
- 32 of these are low-wage workers: front desk workers, housekeepers, maintenance, etc.

ABC Hotel does not offer health insurance coverage to its employees. However, as an employer with 50 or less FTE employees (**like 97% of all Florida employers**), ABC Hotel will pay no penalty, regardless of how many employees use Premium Tax Credits to buy coverage in the Exchange.

Example 2: XYZ Markets

- XYZ Markets operates 15 stores in Florida.
- Each store has 100 employees - 75 of these are low-wage workers (cashiers, stockers, baggers, etc.), working an average of 25 hours per week. The remaining 25 are department managers, skilled workers and store management.
- An additional 100 Florida employees staff a small distribution center and administrative headquarters.

Total Employees in Florida: 1,600
 Annual Gross Payroll: \$41.1 million
 Health Coverage: Coverage is offered to all eligible employees, but the employee’s contribution is unaffordable (i.e., absorbs more than 9.5% of income) to all of the low-wage workers and some of the department managers and skilled workers.

Admittedly, most of XYZ Markets’ low-wage workers will *not* seek to use Premium Tax Credits to buy coverage through the Health Insurance Exchange. Many are younger workers who do not work at least 30 hours per week and/or already have coverage through a parent. Some will have coverage through a spouse or are seniors who are covered through Medicare. Others are low-income and therefore will be exempt from penalty under the “individual mandate” or may be too poor to qualify for Premium Tax Credits. We therefore conservatively assume that 25% of XYZ Markets’ low-wage workers would be eligible for Medicaid if Florida expands the program but would otherwise use Premium Tax Credits to buy coverage in the Exchange:

| | Penalty Amount (if Florida rejects Medicaid expansion) | Penalty Amount (if Florida expands Medicaid) |
|---|--|---|
| Number of Employees to which Penalty Applies | 465 | 182 |
| Penalty per Applicable Employee | \$3,000 | \$3,000 |
| Total Penalty | \$1,395,000 | \$546,000 |

| | | |
|-----------------|------|------|
| Amount | | |
| Penalty as % of | 3.4% | 1.3% |
| Total Payroll | | |

Realistic Amount Saved Under Medicaid Expansion: \$849,000

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Example 3: 123 Fast Food

- 123 Fast Food operates 300 freestanding restaurants in Florida.
- Each restaurant has 40 employees - 34 of these are low-wage workers (food preparation and service, etc.), working an average of 28 hours per week. The remainder are assistant managers and managers.
- An additional 600 Florida employees are not based at any restaurant location (drivers, executives, etc.).

Total FTE Employees in Florida: 12,600
 Annual Gross Payroll: \$211.0 million
 Health Coverage: Coverage is offered to all eligible employees, but the coverage offered to low-wage workers and assistant managers has very limited benefits and so does not pass the Affordable Care Act’s “minimum value” test.

We conservatively assume that only 20% of 123 Fast Food’s low-wage workers would be eligible for Medicaid if Florida expands the program but would otherwise use Premium Tax Credits to buy coverage in the Exchange:

| | Penalty Amount (if Florida rejects Medicaid expansion) | Penalty Amount (if Florida expands Medicaid) |
|---|--|---|
| Number of Employees to which Penalty Applies | 2,868 | 792 |
| Penalty per Applicable Employee | \$3,000 | \$3,000 |
| Total Penalty Amount | \$8,604,000 | \$2,376,000 |

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|-----------------|------|------|
| Penalty as % of | 3.3% | 0.9% |
| Total Payroll | | |

Realistic Amount Saved Under Medicaid Expansion: \$6,228,000

In short, many of the businesses that anchor the state’s service-based, tourist-dependent economy would be placed at a significant competitive disadvantage if Florida rejects Medicaid expansion.

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