



HEALTH INSURANCE FOR THE EARLY CHILDHOOD WORKFORCE

Strategies for Leveraging the
Affordable Care Act and More

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THE EARLY CHILDHOOD WORKFORCE

The field of early care and education is finally being recognized as critical infrastructure for a vibrant and prosperous society. The fragility of the U.S. child care system was laid bare when the country, rebounding from the pandemic, saw a tightening labor market and upward pressure on minimum wage. Early educators are the backbone of a healthy early care and education system, yet today, many early educators can earn more working as a cashier at Target than working with toddlers. And unlike their work with toddlers, their compensation at Target is far more likely to include benefits.

Early educators' poor compensation can have dire, concrete implications for their health and wellbeing—specifically, on their ability to access health insurance. Best estimates suggest that early educators have higher uninsured rates than their peers in K-12 education and other industries.¹ One in six early educators lack insurance, compared to one in ten workers nationally and one in twenty-five K-12 teachers.²

Uninsured individuals are more likely to have significant medical debt³ and delay or go without medical care because of cost.⁴ These factors exacerbate the existing stress of working in an emotionally and physically demanding, low-wage position.⁵

At the same time, when early educators lack insurance, children, families, and the child care sector more broadly suffer as well. Turnover in the early childhood field is high and linked to compensation: early care and education providers that do not offer benefits to their employees have higher attrition than those that do.⁶ Staffing shortages and high turnover translate to constant recruitment and training costs for providers, limited child care supply for families, and a lack of continuity of care for children.

A key reason why the sector struggles to offer decent compensation that includes health insurance is that early care and education providers are fragile businesses with limited and unstable revenue. Moreover, these small businesses are typically led by a single individual who is struggling to manage myriad administrative tasks that, in larger businesses, are handled by entire specialized departments.

In response to these circumstances, the field continuously calls for greater public investment in early care and education, particularly for compensation. While that investment is necessary and that advocacy is warranted, there is substantial public funding, available now, for health insurance through the Affordable Care Act (ACA). Unfortunately, this funding is dramatically underutilized. In 2022, 25.6 million people were uninsured; 60 percent of them were eligible for financial support through the Affordable Care Act.⁷

The Affordable Care Act created infrastructure and financial assistance to improve access to affordable, quality health insurance for small businesses and people earning low and moderate incomes. The American Rescue Plan Act (ARPA) expanded the amount



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of financial assistance and increased the income eligibility threshold, which the Inflation Reduction Act continues through 2025.

The early childhood workforce is well-positioned to benefit from these resources. The majority of early educators are eligible for generous financial assistance through the ACA. Early care and education providers, as employers and business owners, can leverage the ACA to ensure their staff have comprehensive, affordable health insurance through the same carriers and for the same plans available on the private market.

The underlying assumption of this brief is that early educators deserve access to health benefits through their employer. The question, then, is not about whether an ECE provider should offer health benefits but rather how the provider can do so. It's not a cost neutral proposition—but there are ways to do so that are not cost prohibitive. With strategic decision making, providers can leverage ACA infrastructure and financial assistance to address a critical piece of the compensation puzzle. This brief offers detailed information on providers' options.

The ACA offers one of the best mechanisms to facilitate meaningful improvements to early educator compensation. Doing so can catalyze a necessary paradigm shift in the field, in which health benefits for early educators are the norm in the sector, not the exception.

THE AFFORDABLE CARE ACT

The Affordable Care Act (ACA), sometimes called Obamacare, is a comprehensive health care reform law passed in 2010 that created a wide range of mechanisms, requirements, and financial supports designed to make health insurance accessible to more people. This brief focuses on the ACA components that are most relevant for the early childhood workforce.

To facilitate purchasing of health insurance, ACA requires Marketplaces, also known as Exchanges, which are online platforms that serve as one-stop-shops to enroll in health plans. Part consumer education site, part purchasing vehicle, the ACA Marketplaces are alternatives to the private health insurance market for individuals and small businesses. Consumers can compare the cost and benefits of health plans across carriers, determine their eligibility for any financial assistance, and enroll directly in a plan. To comply with the Marketplace requirement, states had three options: create and operate their own State-based Marketplace, use the Federally-facilitated marketplace, or establish a State-based Marketplace that uses [Healthcare.gov](https://www.healthcare.gov), the federal eligibility and enrollment platform. The distinctions between state Marketplace choices also have bearing on the degree to which states have jurisdiction over other facets of ACA decisions.⁸

There are two types of ACA health insurance Marketplaces. The Individual Marketplace facilitates the purchase of health plans for individuals and their families. The Small Business Health Options Program (SHOP) Marketplace is the mechanism through which small businesses can purchase group health plans to offer their employees. References to “purchasing plans on the Marketplace” generally refer to the Individual Marketplace, which is by far the most common way to access ACA resources. For a range of reasons, there is less awareness and utilization of the SHOP Marketplace.

Consumers considering health plans through the ACA Marketplaces have access to a range of enrollment supports to secure coverage. These supports include Healthcare Navigators, certified application counselors, and enrollment assisters that are available at no charge to individuals and small businesses to help with informed plan decisions.

Plans offered on the ACA Marketplaces are from the same insurance carriers as those available in the private market—such as BlueCross BlueShield, Aetna, and UnitedHealthcare. Unlike the private market, however, ACA Marketplace plans are required by law to meet a common set of coverage standards that ensure consumers receive a defined set of essential health benefits.⁹

The ACA also created financial assistance programs to improve the affordability of health insurance. Premium tax credits offset the cost of health insurance premiums for eligible individuals and families and can be claimed in advance.¹⁰ Cost sharing reductions provide further financial assistance by lowering the cost of deductibles, copayments or coinsurance, and out-of-pocket maximums.¹¹ Eligibility for premium tax credits and cost-sharing reductions is determined in part by family income. Depending on income, the premium tax credit can reduce monthly premiums to as low as \$0. Individuals and families with household incomes up to 400 percent of the federal poverty level (which



“It is highly likely that a provider offering health insurance to their staff would do more harm than good.”

translates, for a family of four, to \$124,800 annually) can still receive ACA financial assistance. Individuals whose earnings fall at or below the federal poverty line are eligible for Medicaid—with rules varying by state.¹²

Small businesses also have access to financial assistance through the Small Business Health Care Tax Credit¹³ and, in certain cases, state premium assistance dollars.¹⁴ Small businesses can access these financial resources if they purchase plans through the SHOP Marketplace.

IMPLICATIONS OF ACA FOR EARLY CARE AND EDUCATION PROVIDERS

The components of the ACA discussed above have meaningful implications for access to health insurance for all Americans and, in particular, for the early care and education workforce. To understand those implications, some background context is necessary.

Historically, early care and education providers have not offered health insurance to their employees. On average, 52 percent of all employers in the US offer health benefits, yet only 20 percent of ECE providers offer health insurance benefits to their employees).¹⁵

For more than a decade, the ACA has offered early care and education providers the opportunity to offer affordable, comprehensive health insurance to their employees. That opportunity has gone largely ignored, however, in part because of misperceptions of the ACA.

Most discussions about the ACA focus on the individual financial supports, specifically the premium tax credit, rather than the potential of supports for providers as employers. There was, and continues to be, relatively little awareness of the SHOP Marketplace and Small Business Health Care Tax Credit.

Under ACA rules, small businesses with fewer than 50 employees are exempt from penalties of not providing employer sponsored health insurance. [See Appendix A: Providers with More than 50 Employees](#). The majority of child care providers fall into that category: 88.9 percent of child care establishments, most of which are home-based family child care providers, have no paid employees. The remaining providers, such as large family child care homes and small child care centers, have, on average, 12 staff members.¹⁶

In situations when child care providers do offer employer-sponsored health plans, the default route to purchase insurance is often through the private market, not the SHOP Marketplace. This also has a chilling effect on uptake. Without premium tax credits to bring down the cost of monthly premiums, the financial burden on both employer and employee is high, causing many staff to opt out of the benefit.

If the provider does not offer insurance, or if the employee opts to go through the Individual Marketplace instead of purchasing the employer-sponsored option, then the provider plays little to no role in employees' health care considerations.

Today, most early care and education providers continue to operate as if the ACA is irrelevant—but that's not the case. Providers must consider the ACA if they are to make health insurance decisions that are in the best interest of their staff.

ECE employers that do offer health insurance may be missing an important opportunity.¹⁷ This is because employees are no longer eligible for ACA financial assistance if their employer offers a health plan that meets certain standards, or a Health Reimbursement Account (HRA), to help offset the costs of health care.¹⁸ This consequence holds true even if purchasing insurance through the Individual Marketplace is cheaper for the educator or gives them access to a better health insurance plan. [See Appendix B: Health Accounts Comparison](#).

In other words, it is highly likely that a provider offering health insurance to their staff would do more harm than good. That health insurance plan, however well-intentioned, would render the employee ineligible for ACA financial assistance—a notably high cost right now, when ACA financial assistance is particularly robust. As a result, providers face a complicated and unenviable choice: allocate scarce resources to a health insurance plan that might financially disadvantage educators and leave federal dollars on the table, or invest resources elsewhere and hope educators find health care in another way.

Is there a way that providers can both leverage the ACA and simultaneously offer their staff support for health care? It is possible, and providers should consider two options: incorporate Individual Marketplace financial assistance into employee compensation packages or purchase insurance through the Small Business Health Options Program (SHOP) Marketplace.



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OPTION 1. Incorporate Individual Marketplace financial assistance into employee compensation packages

One option for early care and education providers is to intentionally design their employee compensation package around access to ACA financial assistance. In this scenario, providers would support employees in purchasing health insurance through the ACA Marketplace, allowing them to take advantage of ACA financial assistance. At the same time, providers could use funds that would have been spent on health insurance to help pay for employees' other out-of-pocket expenses or offer additional benefits that do not jeopardize employees' access to ACA financial assistance. [See Appendix C: Strategic Use of Resources.](#)

Providers that build a compensation package around ACA supports are effectively incorporating the financial assistance into their budgeting. If pursuing this strategy, providers should be aware of shifts in funding, particularly for the premium tax credit. Federal funding

for the premium tax credit has waxed and waned over the years. Several states have added to the premium tax credit and incorporated other cost-sharing reductions to help offset the costs of health insurance. These policy decisions will directly affect how providers support their staff.

Additionally, for this strategy to be effective, providers should ensure that purchasing health insurance through the ACA Individual Marketplace feels to staff as part of an intentional benefits package.¹⁹ A common concern with leveraging ACA financial assistance is that educators will not see the funds as part of their compensation, limiting the degree to which this approach to offering health insurance can be an effective recruitment or retention tool. To combat that perception, providers should create a supportive enrollment process similar to what staff would

Strategy in Action

Otter Creek Child Center is a NAEYC accredited, multi-site child care program serving children and families in Middlebury, Vermont with just under 50 staff. In the past, employees were offered group health insurance as a benefit—but the high cost was unsustainable for the provider and the employees. Director Linda January shifted her strategy several years ago to better serve staff. Now, employees who don't have health insurance through another source are connected to an Individual Marketplace navigator who helps them select and purchase a plan. The money saved allows Otter Creek to provide a generous array of options for staff, including: dental, vision, telehealth (including mental health resources), short term disability (which can be used for maternity leave), long term disability, life insurance, paid planning time for teaching teams, paid time off (up to 7 weeks per year, and 11 paid holidays), and a 2 percent contribution to retirement accounts. "By leveraging the resources from the ACA, we are able to provide staff with a full suite of benefits that supports their physical and emotional well-being, and invests in their future financial needs," said January.

experience with an employer-sponsored plan. Forming close partnerships with a broker or enrollment counselor will be critical; providers should set aside time for staff to work directly with the broker, with an option to do so onsite, and ensure that the broker has background knowledge of the field and staff to understand an employee's decision points and considerations.

[See Appendix D: How to Choose a Benefits Broker.](#)

Finally, providers pursuing this strategy should allocate the funds set aside for employee benefits in ways that meet staff needs. Providers should consider surveying staff to better understand which benefits would be most appealing and, to the extent possible, invest funding accordingly. Providers should consider working with a broker to determine if offering staff broader flexibility in use of funding is the more appropriate decision. For example, a Section 125 Plan, also known as a Cafeteria Plan, allows staff to select from a menu of benefit options up to a certain dollar amount, some of which can reduce their taxable income.

OPTION 2. Purchase insurance through the Small Business Health Options Program Marketplace

Providers with fewer than 50 full-time equivalent staff have the option of purchasing health insurance through the Small Business Health Options Program (SHOP) Marketplace. ACA originally required all states to operate a SHOP Marketplace,²⁰ where small businesses and their employees could go to compare health insurance options and enroll in SHOP Plans. As with the Individual Marketplace, states that did not operate SHOP Marketplaces could direct consumers to the Federally-facilitated platform, HealthCare.gov.

At the outset of ACA, all small businesses purchased SHOP Plans through some form of SHOP Marketplace. As of 2019, however, federal rules changed how small businesses and employees access SHOP Plans.²¹ Depending on their location, providers can access SHOP Plans either through their state marketplace or directly through a broker or carrier.

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Also similar to Individual Marketplace plans, SHOP Plans must meet certain requirements under ACA. Plans must cover essential health benefits, cannot exclude coverage for treatments for pre-existing conditions, and must comply with specific limits on premiums based on age. Unlike Individual Marketplace plans, employers can sign up for SHOP Plans at any point, regardless of open enrollment timelines or special enrollment periods.

Small businesses with fewer than 25 employees are eligible for the Small Business Health Care Tax Credit if they offer employees SHOP Plans.²² The tax credit lowers premium costs, up to 50 percent of employers' contributions. Businesses and their employees may also have access to additional financial resources, called state premium assistance, depending on their location and characteristics.²³

Purchasing SHOP Plans allows providers to directly offer health insurance to their employees *and* leverage the benefits of ACA. The ability to directly offer health insurance is particularly important as a recruitment and retention measure for early educators. Further, with SHOP Plans, providers also have more options for the type of financial support and health care plans they provide employees. For example, providers can offer employees a range of health savings and/or reimbursement accounts,²⁴ which offer employees additional flexibility and, for certain accounts, tax benefits. Those accounts are not an option if employees are to rely on the premium tax credit or cost-sharing reductions financial assistance via the Individual Marketplace.

If considering SHOP Plans, providers will want to work with a broker to identify and implement the best solution for their staff. The Small Business Health Care Tax Credit and state premium assistance supports are neither as generous nor as easy to access as the premium tax credits and cost-sharing

reductions available through the Individual Marketplace. Further, the availability of SHOP Plans varies widely by location. As with any compensation decision, each provider's unique circumstances should inform how they move forward.

SUPPORTING EARLY CARE AND EDUCATION PROVIDERS

Establishing a benefits package for employees is both a financial challenge and an administrative lift for an already busy early care and education provider. Actors within the early childhood sector—intermediaries, advocates, shared services alliances, states, and localities—have an opportunity to support providers in a range of ways.

Support access to vetted benefits brokers

Using a broker to customize a benefits package is a game changer. But finding the right broker can be challenging and time consuming. Shared Service Alliances can serve early care and education providers well by vetting local brokers and, if appropriate, engaging their services on behalf of a network of providers. Brokers should deeply understand

the funding mechanisms, business models, and staffing realities that providers face when making health insurance decisions.²⁵ Additionally, it is advantageous for a broker to work with an Alliance with multiple member programs that have similar characteristics rather than one small business at a time. For a summary of how to approach the search for a broker, who works free of charge to employers, review [Appendix D: How to Choose a Benefits Broker](#).

Strategy in Action

In 2021, Washington, D.C. Council created the Early Educator Pay Equity Fund, designed to increase compensation of early care and education staff. A portion of the Pay Equity Fund is dedicated to reducing health insurance premiums paid by early care and education providers or their eligible employees for plans purchased through the D.C. Health Benefit Exchange, the District's ACA Marketplace. The program, HealthCare4ChildCare (HC4CC), includes premium assistance through both the Individual Marketplace and the SHOP Marketplace. In the latter scenario, providers that participate in HC4CC and purchase plans through the SHOP Marketplace can offer affordable health insurance directly to their employees. After the provider enrolls, all employees qualify for premium assistance, including employees not eligible for other Pay Equity Fund wage supplements (e.g., support staff, part-time workers, undocumented workers). Whether premiums are free or lower depends on the plan that the employer selects. In HC4CC's first year, nearly 70 percent of eligible providers participated in the program to offer health insurance to their employees. Of the providers that participated, 56 percent had not offered health coverage to their employees prior to HC4CC. As of the 2024 plan year, HC4CC pays for Gold standard plans through D.C. Health Link; the program previously paid for Silver standard plans. See [Appendix E: Example Employer/Employee Cost, DC HealthCare4ChildCare](#).

Strategy in Action

In South Carolina, the Palmetto Shared Services Alliance (PSSA) refers their members to a broker who can help center directors develop a benefits plan, support staff in navigating the Individual Marketplace, review health plan options, and identify additional insurance products. The benefits broker also makes herself available to answer questions for those just beginning to navigate this complicated landscape. PSSA Operations Director Shelley Summer said, "Having someone to talk to who understands the insurance options has helped directors make good decisions with limited resources."



Facilitate innovative approaches to health care

If the goal is to make it possible for educators to access health care, then it makes sense to think beyond the issue of health insurance and ask “How can we assist our staff in accessing medical services when they need them?” There are a number of new models for delivering health care that don’t require or interface with insurance. Shared Service Alliances can play a vital role in connecting programs to these resources.

A number of these ancillary benefits (dental, vision, telehealth, etc.) are available at competitive pricing on the ECE Shared Resources Platform.²⁶ Currently, 36 states and the District of Columbia hold a license for the platform and early care and education providers can access the platform free of charge in many of these states.

Another innovation in the health care sector is Direct Primary Care (DPC). DPC is a new model of health care in which a physician (or group practice) provides unlimited access

to office visits, telehealth, prevention/wellness care, immunizations and other routine primary care issues for a set monthly fee (average cost \$70/\$150/month for individual/family plans).

Direct Primary Care medical practices have intentionally de-linked their service from the insurance industry in order to reduce their administrative costs and have more control over issues like caseload and time spent with patients. Direct Primary Care services can be valuable for providers that plan to direct their employees to the Marketplace but want to offer additional health benefits. For example, an early educator can

secure comprehensive health coverage by pairing DPC services paid for by their employer with Marketplace insurance for services beyond those offered by the direct primary care practice, such as hospitalization and specialty care.²⁷

Strategy in Action

The Wisconsin Early Education Shared Services Alliance (WEESSN) used grant funding to purchase telehealth from the ECE Shared Resources Platform for all members. While funding for this statewide initiative has been significantly reduced, many employers have committed to picking up the modest cost (\$8-15/month per employee), to continue providing this resource to their staff.

WEESSN also created an Educator Assistance Program (EAP), which provides free, confidential counseling to individuals (including members of their household up to age 27) employed by WEESSN members to manage work, family, and personal challenges. All services are offered in multiple languages including partnerships with local organizations that are culturally and linguistically welcoming.

Invest public resources in supporting the early childhood workforce

States and localities can invest public dollars in a range of ways, and at a variety of funding levels, to support providers and educators in accessing health benefits.

Washington, D.C. and Washington State have made, to date, the largest systems-level investments in supporting access to health care among the early childhood workforce by building on the ACA premium tax credits. In 2021,²⁸ Washington State created the Health

Care Premium Assistance for Employees of Child Care Facilities program. Through this program, employees of licensed child care facilities who had a household income below 300 percent of the federal poverty level were eligible for premium assistance for Silver level plans purchased through the state’s ACA Individual Marketplace. The premium assistance was funded through \$30 million in federal relief dollars and ended in 2023. The state, however, has since made additional investments in broader premium assistance efforts for families earning up to 250 percent FPL.²⁹

In 2021 Washington, DC approved a tax increase to create the Pay Equity Fund, which funded,

among other priorities, the HealthCare4ChildCare program (HC4CC) premium assistance program. Through HC4CC, employees of licensed early care and education providers who live within the District qualify for free health insurance premiums for themselves and dependents for certain level plans purchased through DC Health Link. Employees are also eligible for premium assistance if their employer purchases certain level SHOP Plans through the District’s SHOP Marketplace.³⁰ Because of a budget deficit, funding for the Pay Equity Fund, including HC4CC was in jeopardy for FY25. The DC Council, however, recently approved a budget that secures \$12 million annually to HC4CC over the next four years.³¹

Strategy in Action

Community Preschools (CP) in Houston, Texas is a community based ECE provider that also hosts a Shared Service Alliance for local preschools, offering back office resources to facilitate participation in the school district’s PreK program. Staff working in preschools affiliated with CP are relatively young (average age 26), and when surveyed, they expressed concern about out-of-pocket expense for routine health care. To address this concern, CP pays for all staff to be enrolled in a direct primary care practice.

Most of the staff have basic health insurance through the ACA Marketplace or a family member; by having the additional resource of DPC, staff are able to make office visits or telehealth appointments easily and with no additional co-payments or deductibles.



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The BlueCross BlueShield plan you see on the Exchange is guaranteed to meet more stringent quality and affordability requirements than what you may find directly through the carrier.

In Nevada and Kansas, smaller investments also offered valuable support to the early childhood workforce. The Nevada Department of Health and Human Services, Division of Welfare and Supportive Services provides funding for a free telehealth services benefits program for all active members of the state's workforce registry. Through this program, Registry members and their families have free access to unlimited telemedicine services, an Employee Assistance Program, prescription discounts, and up to ten teletherapy sessions per year. Dental and vision coverage is also provided to the individual, with an option to add additional family members at a minimal cost.

In Kansas, Thrive Allen County—a cross-issue intermediary and advocacy nonprofit—received grant funding from the Kansas Children's Cabinet to offer ECE staff reimbursements for monthly health insurance premiums. Thrive Allen County is also a federally funded Healthcare Navigator; the organization employs a team of Care Coordinators who helped providers and ECE staff navigate their health insurance decisions, including identifying and mitigating any potential negative tax or benefits implications.

Time to Act

Over the past several years, national support for the ACA has been strong and growing. While this financial support will continue, some of the most robust supports are slated to sunset in 2025. It is essential, therefore, that ECE advocates embrace the ACA now, underscore the value it offers the early childhood workforce, and push to preserve the legislation and its resources. We can expect public policy ACA campaigns beginning in early 2025; the early childhood field should be part of that work. Access to affordable health insurance is a cross-sector, cross-policy issue. There are myriad efforts pursuing aligned goals, from advocates for Medicaid expansion to small business coalitions to constituents in low- and moderate-wage industries. Building on existing efforts can do more to catalyze sustained, systemic change to early educator compensation than what we can accomplish on our own.

At the same time, we need to put our own house in order. In public discourse, including within the early childhood field, ACA financial assistance is often stigmatized. In some cases, it might even be viewed as a detriment to efforts to professionalize the early childhood workforce. But that framing misses a vital point: The federal government subsidizes health insurance for the majority of Americans in some way. Financial assistance for employer-sponsored coverage comes in the form of tax write-offs; in 2023, Medicare costs made up 3.1 percent of the country's gross domestic product.³² Yet neither of these subsidies are viewed as negatively as financial assistance through the ACA.

Further, ACA plans are often erroneously seen as inferior to plans on the private market. The BlueCross BlueShield plan you see on the Exchange is guaranteed to meet more stringent quality and affordability requirements than what you may find directly through the carrier.

This negative view of ACA unequivocally limits the number of early educators who have access to health insurance. If there is to be a true paradigm shift—an authentic and lasting change in the perception of the early childhood profession—then we must address our own biases and see the ACA for the reprieve it could be.

Open enrollment for the ACA begins in a few months. Millions of individuals, families, and businesses will make decisions about their health insurance future. This is the window for early care and education providers to leverage the ACA to offer health insurance to their employees, to their own benefit but also to the benefit of children, families, educators, and the economy. All who support the early childhood education field have not only the opportunity to assist providers in this endeavor but the responsibility to act on it.



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END NOTES

- ¹ <https://www.researchconnections.org/sites/default/files/133491.pdf>
- ² <https://www.census.gov/content/dam/Census/library/visualizations/2020/demo/p60-271/figure2.pdf>
- ³ <https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states/>
- ⁴ <https://www.healthsystemtracker.org/chart-collection/cost-affect-access-care/>
- ⁵ <https://www.apa.org/news/press/releases/stress/2017/uncertainty-health-care.pdf>
- ⁶ https://www.naeyc.org/sites/default/files/wysiwyg/user-73607/naeyc_benefits_brief_may_2024.pdf
- ⁷ Estimate includes Medicaid eligibility (25 percent) and eligibility for the premium tax credit (35 percent). <https://www.kff.org/uninsured/issue-brief/a-closer-look-at-the-remaining-uninsured-population-eligible-for-medicaid-and-chip/>
- ⁸ For a breakdown of states' approaches to Marketplace platforms, see: <https://www.healthcare.gov/marketplace-in-your-state/>
- ⁹ Essential health benefits required through the ACA include no cost wellness and preventive services, immunizations, some dental and vision for children, coverage for pre-existing conditions, emergency services, maternity/newborn care, birth control, and others. For more information, see Centers for Medicare and Medicaid Services.
- ¹⁰ <https://www.irs.gov/affordable-care-act/individuals-and-families/the-premium-tax-credit-the-basics>
- ¹¹ <https://www.healthcare.gov/lower-costs/save-on-out-of-pocket-costs/>
- ¹² Depending on the state, early educators may earn wages that make them eligible for Medicaid. While not a focus of this issue brief, Medicaid is a critical component of a state's health insurance strategy. Educators can determine their eligibility for Medicaid during the health plan enrollment process on their state's ACA Marketplace. For additional information on Medicaid expansion, see: <https://www.urban.org/sites/default/files/publication/102359/the-implications-of-medicaid-expansion-in-the-remaining-states-2020-update.pdf>
- ¹³ <https://www.irs.gov/affordable-care-act/employers/small-business-health-care-tax-credit-and-the-shop-marketplace>
- ¹⁴ <https://www.hhs.gov/guidance/sites/default/files/hhs-guidance-documents/11955%20small-business-tax-credit-and-assistance-2019.pdf>
- ¹⁵ <https://www.epi.org/publication/higher-wages-for-child-care-and-home-health-care-workers/>
- ¹⁶ <https://www.ced.org/assets/reports/childcareimpact/181104%20CCSE%20Report%20Jan30.pdf>
- ¹⁷ Prior to changes in COVID-19 relief legislation, the eligibility threshold for the premium tax credit was 400% of the federal poverty level, which is \$124,600 for a family of four in 2024. Individuals and families with incomes above 400% FPL are eligible for the premium tax credit through 2025. Income eligibility for cost-sharing reductions is currently capped at 250% FPL. <https://www.irs.gov/pub/taxpros/fs-2024-04.pdf>, <https://aspe.hhs.gov/sites/default/files/documents/7240229f28375f54435c5b83a3764cd1/detailed-guide-lines-2024.pdf>
- ¹⁸ The ACA defines minimum value and affordability standards for health insurance plans and savings and reimbursement accounts. For additional information on different types of health savings and reimbursement accounts, see [Appendix A: Providers with More than 50 Employees](#).
- ¹⁹ Link to the [OppEx benefits pyramid](#)
- ²⁰ <https://www.kff.org/affordable-care-act/fact-sheet/summary-of-the-affordable-care-act/>
- ²¹ <https://www.federalregister.gov/documents/2018/04/17/2018-07355/patient-protection-and-affordable-care-act-hhs-notice-of-benefit-and-payment-parameters-for-2019>
- ²² <https://www.agentbrokerfaq.cms.gov/s/article/What-is-the-Small-Business-Health-Care-Tax-Credit-and-how-can-small-employers-apply-for-it>
- ²³ <https://www.hhs.gov/guidance/sites/default/files/hhs-guidance-documents/11955%20small-business-tax-credit-and-assistance-2019.pdf>
- ²⁴ See [Appendix A: Providers with More than 50 Employees](#) for more information.
- ²⁵ For a summary of how to approach the search for a broker, who works free of charge to employers, review: [Appendix D: How to Choose a Benefits Broker](#)
- ²⁶ <https://www.ecesharedresources.com/working-with-us/partners-impact/>
- ²⁷ <https://www.dpcare.org/>
- ²⁸ <https://www.wahbexchange.org/content/dam/wahbe-assets/legislation/Exchange%20Legislative%20Report-2022-Employees%20of%20Licensed%20Child%20Care%20Facilities.pdf>
- ²⁹ <https://www.wahbexchange.org/content/dam/wahbe-assets/legislation/11.21.2023%20Washington%20Health%20Benefit%20Exchange%20Child%20Care%20Worker%20Report.pdf>
- ³⁰ https://osse.dc.gov/sites/default/files/dc/sites/osse/page_content/attachments/May%2014%20Meeting%20Presentation.pdf
- ³¹ https://osse.dc.gov/sites/default/files/dc/sites/osse/page_content/attachments/July%202%20Meeting%20Presentation.pdf
- ³² <https://www.cbo.gov/system/files/2023-09/59273-health-coverage.pdf>



Appendices

APPENDIX A | PROVIDERS WITH MORE THAN 50 EMPLOYEES

For early childhood programs with fewer than 50 employees, leveraging the ACA Marketplace is simple and straightforward. While a large percentage of child care programs meet this threshold, there are many programs with more than 50 employees for whom the cost of insurance is unaffordable. For these mid-size businesses, leveraging the ACA Marketplace becomes more complicated, but it is still the most effective way to compensate staff.

Employers with more than 50 Full Time Equivalent (FTE) employees are required by the IRS to report on any employees utilizing the ACA Marketplace subsidies when filing annual tax returns. Employers are required to pay fees called **employer shared responsibility payments**. There are two types of payments:

1. Employers who **do not offer** minimum essential coverage will be assessed on an annual basis, a payment equal to \$2,000 (indexed for future years) for each full-time employee, with the first 30 employees excluded from the calculation. This calculation is based on all full-time employees (minus 30), including full-time employees who have minimum essential coverage under the employer's plan or from another source.
2. Employers who **do offer** minimum essential coverage will be assessed for the second type of employer shared responsibility payment. On an annual basis, this payment is equal to \$3,000 (indexed for future years) but only for each full-time employee who receives the premium tax credit.

Programs that employ more than 50 FTEs should use a broker to navigate these issues, and the broker will be well positioned to advise about the best approach to maximize resources and benefits.



APPENDIX B | HEALTH ACCOUNTS COMPARISON

| | Health Care Flexible Spending Account (FSA) | Health Reimbursement Account (HRA) | Qualified Small Employer Health Reimbursement Account (QSEHRA) | Individual Coverage Reimbursement Account (ICHR) | Health Savings Account (HSA) |
|---|---|---|---|---|---|
| Description | Offered by an employer to give employees a tax-free way to save on medical and dependent care expenses not covered by the health plan. | Employer-funded account that reimburses employees for out-of-pocket medical expenses. The employer can decide which services will be reimbursable under the HRA plan. | Employer-funded account that reimburses employees for individual health coverage premiums and/or most eligible medical expense as defined in the Internal Revenue Code (IRC) Section 213(d). | Employer-funded account that reimburses employees for individual health coverage premiums and/or most eligible medical expenses as defined in the Internal Revenue Code (IRC) Section 213(d). | Tax-advantaged medical savings account available to employees who are enrolled in a qualified high-deductible health plan (HDHP). |
| Eligible Employers | MUST offer a group health plan unless only offering health care FSA limited to dental and vision expenses | MUST offer a group health plan | Have fewer than 50 employees (full-time plus full-time equivalents [FTEs]) and Must NOT offer any group health plan | Must NOT offer any group health plan to those eligible for an ICHRA | MAY or MAY NOT offer a group health plan |
| Contributions | Both the employee and the employer can contribute to this account. | Only the employer can contribute to this account. | Only the employer can contribute to this account. | Only the employer can contribute to this account. | Both the employee and employer can contribute to this account. |
| Eligible Expenses | Funds can be used to pay for any out-of-pocket and unreimbursed qualified medical expenses under Section 213(d) of the Internal Revenue Code, or as limited by the plan document. | The employer determines which expenses are eligible for reimbursement, from all to a subset of eligible unreimbursed medical expenses under Section 213(d) of the Internal Revenue Code. | The employer determines which expenses are eligible for reimbursement from this list: 1. Premiums for individual major medical insurance (including Medicare and TriCare); and/or 2. Any or a subset of eligible unreimbursed medical expenses under Section 213(d) of the Internal Revenue Code. | The employer determines which expenses are eligible for reimbursement from this list: 1. Premiums for individual major medical insurance (including Medicare and TriCare); and/or 2. Any or a subset of eligible unreimbursed medical expenses under Section 213(d) of the Internal Revenue Code. | Funds can be used to pay for any out-of-pocket and unreimbursed medical expenses under Section 213(d) of the Internal Revenue Code on a tax-free basis. Any other withdrawals are taxable |
| Interaction with the ACA Marketplace¹ | Can ONLY be used to cover limited Vision/Dental expenses; NOT to cover expenses for Marketplace health plan coverage. | If the employer's group health insurance plan does NOT meet minimum standards for affordability, and the individual has opted out of private coverage and the HRA, then ... Employees can qualify for premium tax credits on the Marketplace | QSEHRA amount will affect final eligibility for a premium tax credit on next year's taxes. IRS determines final eligibility for a tax credit based on how much QSEHRA employer offered | If an employee accepts the individual coverage HRA offer, no premium tax credit is allowed for the employee's Marketplace coverage. | Health Savings Accounts may be paired with ACA Marketplace plans. HSA plans pay for deductibles, copayments, coinsurance, and some other expenses; HSA funds generally may not be used to pay premiums. High deductible health plans (HDHP) may be difficult to find on the Marketplace |

¹ <https://www.healthcare.gov/small-businesses/learn-more/hra-guide/>



Appendices

APPENDIX C | STRATEGIC USE OF RESOURCES

In 2024, the cost of employer sponsored health care rose sharply. Annual premiums across the U.S. for individuals averaged \$6,575 and nearly \$24,000 for a family policy.¹ Assuming the employer pays 75% of the cost of the premium, we can estimate costs to employer and employee for each scenario.

| Private Health Plan | Individual Coverage | Family Coverage |
|----------------------------|----------------------|-----------------------|
| Monthly cost | \$ 548 | \$ 2,000 |
| Employer pays 75% | \$ 411 | \$ 1,500 |
| Employee pays 25% | \$ 137 | \$ 500 |
| Total Employer Cost | \$ 4,932/year | \$ 18,000/year |
| Total Employee Cost | \$ 1,644/year | \$ 6,000/year |

At the cost of \$18,000/year, it is easy to understand why many employers opt to pay only for employee coverage rather than the cost of family plan. It is worth pointing out that, because of the affordability test, staff who need family coverage can opt into the employer plan for themselves and access the ACA premium tax credits for a family plan for children/spouse.

By contrast, if an employer set aside \$5,000/year to fund employee benefits (other than a group health insurance plan), the benefit for both employees and employers is substantial. The table below shows the cost and benefit of ACA Marketplace Silver plans.

- **Scenario 1:** Single Adult, age 33, 2 children, ages 5 and 8; annual salary = \$40,000
- **Scenario 2:** Two Adults, ages 39 and 42, two children ages 8 and 12; combined annual salary = \$80,000

| ACA Individual Marketplace Plan | Scenario 1 Single Adult, 2 Children | Scenario 2 Family of 4 |
|--|-------------------------------------|------------------------|
| Monthly cost to Employee | \$ 15 | \$ 311 |
| Premium Tax Credit/Mo. | (\$ 1,003) | (\$ 1,225) |
| Employer Contribution to Other Benefits | \$ 417/mo. | \$ 417/mo. |
| Total Employer Cost | \$ 5,000/year | \$ 5,000/year |
| Total Employee Cost | \$ 180/year | \$ 3,732/year |

By setting aside the funds that would otherwise be used to contribute toward the cost of group health insurance to fund other benefits such as out-of-pocket medical costs, dental, vision, telehealth, and retirement, the employee effectively has a salary increase AND additional benefits.

The bottom line is that the Affordable Care Act Premium Tax Credits are a game changer for the health insurance status of the child care workforce. Every employer is now able to ensure that all staff are protected with health insurance, and invest precious benefits dollars into services that provide a comprehensive benefits package to promote a healthy, protected workforce.

¹ <https://www.cnn.com/2023/10/31/politics/health-care-costs-job/index.html>



Appendices

APPENDIX D | HOW TO CHOOSE A BENEFITS BROKER

A benefits broker is a specialist who can help identify insurance product and benefits options for your organization. But how do you select a benefits broker? Here are few things to keep in mind when considering selecting a benefits broker:

- **Mission Alignment** – the early childhood sector is challenged by limited revenue and offering benefits has not been the norm. It is important to find a broker that understands both the resource challenge and the critical mission of early childhood education, and will bring a commitment to supporting this work.
- **Access to Services and Support** – a broker who can provide access to a comprehensive network of health insurance carriers (including ACA Marketplace) is ideal. This will offer you more options at varying price points. You also want a broker that can support your business with additional services and technologies to streamline employee benefits management, ensure compliance, and improve employee satisfaction. Benefits administration requires that you communicate benefits to employees and the deadlines for enrolling, and also means that you give them easy (ideally automated) ways to opt into benefits. Transfer of funds from the business to the accounts will be needed regularly, as will ongoing communication of annual timelines. Many businesses like to survey employees annually to understand which benefits they value, they use, and they believe are missing from their compensation package.
- **Licensing** – many rules and regulations are issued at the state level, so brokers need to be licensed in the state in which you are operating.

QUESTIONS TO ASK POTENTIAL BROKERS¹

Partnerships with Insurance Carriers

Which insurance carriers do you work with, and how do you choose which ones to recommend to clients?

This question reveals their network's breadth and criteria for selecting carriers, which is crucial for matching the best options with your needs.

Customization of Benefits Strategies

Can you provide an example of a customized benefits strategy you've developed for a business that is similar to mine?

A real-world example can illustrate the broker's ability to craft tailored solutions and innovate within your industry context.

Administrative and Compliance Support

I don't have an HR expert on my team—can you assist with the administration of benefits and compliance reporting? Is there a cost for this service?

This checks if the broker can handle benefits management and legal compliance complexities for you and, if so, at what cost.

Technology and Tools

What technology and tools do you offer for benefits administration and employee enrollment?

Effective technology solutions are essential for streamlined administration and a smooth employee enrollment experience.

¹ <https://www.takecommandhealth.com/blog/blog/how-to-choose-benefits-broker/>



Appendices

APPENDIX E | EXAMPLE EMPLOYER/EMPLOYEE COST,

DC HEALTHCARE4CHILDCARE PROGRAM

The DC HealthCare4ChildCare (HC4CC) program offers two types of premium assistance for the early care and education workforce: directly through the Individual Marketplace or via their employer through the SHOP Marketplace. The scenarios below illustrate an example of what an employer and employee could expect to pay for premiums with and without the premium assistance offered through HC4CC.

In Scenario A, the employer cost is calculated based on the maximum contribution, which is 50 percent of the premium cost of the reference plan. The employee cost is the remainder of the premium cost after the employer contribution.

| Scenario A: Employer/Employee Premium Costs Without HC4CC Discount | |
|---|------------------|
| Estimated monthly premium, 2024 plan year <ul style="list-style-type: none"> • Kaiser Permanente Standard Platinum Plan • \$0 deductible • 30-year-old employee | \$ 403.76 |
| Employer cost <ul style="list-style-type: none"> • Maximum employer contribution • 50 percent of reference plan (UHC Choice Plus Gold Plan) | \$ 246.24 |
| Employee cost <ul style="list-style-type: none"> • Remainder of premium share after employer contribution • Assumes no financial supports | \$ 157.52 |

Scenario B shows the premium costs for the same individual, employer, and plan but now includes the HC4CC discount provided through the Pay Equity Fund.

| Scenario B: Employer/Employee Premium Costs With HC4CC Discount ¹ | |
|---|------------------|
| Estimated monthly premium, 2024 plan year <ul style="list-style-type: none"> • Kaiser Permanente Standard Platinum Plan • \$0 deductible • 30-year-old employee | \$ 403.76 |
| HC4CC discount | \$ 374.12 |
| Employer cost <ul style="list-style-type: none"> • Remainder of premium after HC4CC discount • Maximum cost; employers contribute what they are able | \$ 29.64 |
| Employee cost | \$ 0 |

With HC4CC, employers are not required to contribute to the employee's premium; they contribute what they are able. In Scenario B, the employer has decided to cover the remainder of the premium cost after the HC4CC discount, resulting in a zero-premium plan for the early educator.

¹ https://osse.dc.gov/sites/default/files/dc/sites/osse/page_content/attachments/May%202014%20Meeting%20Presentation.pdf