



# Health Care Reform Debate

## What is at stake for business owners?

In June, health care reform became the top priority for the Obama administration. Two senate committees are writing legislation, President Obama held a primetime town hall event on national television, and pundits on both sides of the political spectrum are airing concerns. Labor unions and progressive organizations plan to spend \$82 million on research, lobbying and advertising the Obama plan. With this landmark debate in full swing, business owners should consider how the various proposals will affect their business.




## What's being proposed?

### Public Plan








The "public plan" option would likely create insurance exchanges, where a variety of plan designs would be offered to businesses and individuals. Opponents of this plan say that it would undermine private insurance, making it difficult, if not impossible, for them to compete with such a large plan. They argue that private plans would likely be forced to pay more for medical services than a public plan, thereby subsidizing the cost of such a model. Proponents believe that a public plan would force private insurance companies to improve their overall efficiency, thereby reducing costs.

Small businesses have supported health care reform amid pressure to make coverage more affordable, however many business groups are wary of the public plan proposal. They feel that a government-run plan won't do enough to control health care costs, which most agree is a fundamental element of any long-term solution to our health care woes.

### Pros

- A public plan would create significant competition for private plans that would likely force insurance companies to improve efficiency and reduce costs. 
- A public plan could improve access to coverage for businesses and individuals.  

### Cons

- It could undermine private insurance, making it harder for private insurers to compete. 
- Private insurers may be forced to pay higher medical costs in order to make up for lower benefits that providers would receive from a government-run plan. This already occurs with Medicare. 
- Americans could eventually end up in a single payer, government-controlled health care system that resembles that of Canada and many other countries.     

### Mandates

Mandates would be used to dictate who must be covered as well as how much coverage they must have. For example, a "pay or play" mandate would either require businesses to provide coverage, individuals to purchase coverage, or some combination of the two. Another likely mandate would dictate the coverage level that is required. This may include the deductible and other out of pocket costs as well as what medical conditions must be covered. The current proposal would levy a tax on businesses that don't provide the required level of coverage to employees.

Congress is considering an exemption for very small firms that have less than \$500,000 in annual payroll or have fewer than 15 or so employees. Even so, small

### The Goals of a Reform Plan

- A System that Covers Everyone
- Raise Revenue/Taxes for Funding
- Increase Availability of Public Plan

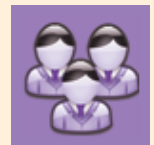
### Key

These Icons will tell you who and what each proposal will affect.

**Businesses**  
Big or Small



**Individual**  
Anyone & Everyone



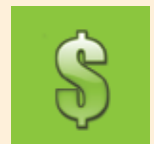
**Insurance Companies**



**Medical**  
Doctors & Hospitals





**Tax Costs**  
How Much?











## Mandates (continued from page 1)

business groups are highly concerned about mandates.

### Pros

- Government could provide tax credits to small businesses to help offset the cost of mandated coverage. 
- Businesses with less than \$500,000 in annual payroll or with less than 15 employees could be exempt. 

### Cons

- Businesses that fail to provide mandated coverage could be subject to taxation.  
- Businesses could be required to pay as much as 80 percent of premiums for individual coverage and 65 percent of premiums for family coverage to avoid being taxed.  
- A mandate that favors firms with low-wage employees could ultimately suppress wages.  
- A mandate that favors firms with less than 15 employees could suppress job growth.  

## Tax Increases

At the heart of the health care debate is how to control skyrocketing costs. Health care costs have consistently outpaced inflation, thereby consuming a larger and larger portion of our nation's gross domestic product. Without real reform, health care will become unaffordable for a larger and larger segment of our population, thereby expanding government's financial obligation for indigent care.




Most experts agree that today's skyrocketing health care costs can be traced




to two specific causes: The first is the cost associated with medical advancements, including new drugs, devices, and procedures. While these improve and even save lives, they come with a hefty price tag.

The second is waste and inefficiency. For example, medical providers are compensated based on the services they provide as opposed to the outcomes they achieve. There is little incentive for them to focus on the cost of treatment. And the threat of frivolous lawsuits often results in unnecessary testing and treatments which drives utilization even higher. The high cost of medical malpractice insurance drives up the cost of health care without improving medical outcomes. And while government regulation may be necessary, our current model is less than efficient. For example, most insurance regulation is handled at the state rather than federal level, thereby increasing costs for large, national insurers. Large national insurers such as United Healthcare and Aetna are required to operate under 50 different regulatory schemes.



Critics argue that the current proposal does not do enough to address these core issues and that the current proposal is essentially about taxation; creating enough tax revenue to provide coverage for everyone. The real question that remains, they say, is who will be taxed and how much. Will businesses pick up the tab or will individuals?

### Pros

- Businesses would have the option of paying a tax that would entitle their employees to government provided coverage. In some cases, this may be more cost effective than sponsoring a group benefit plan.   

- With the possible exception of the smallest firms that could be exempt, additional tax revenue would be used to make coverage available to all employees, thereby improving their health and productivity.   


### Cons

- With the possible exception of the smallest firms that could be exempt, firms would no longer have the luxury of determining whether or not health care is a justifiable expense for their particular business model. 
- Firms may find it more difficult to gain a competitive advantage in attracting quality employees due to the widespread availability of health care coverage. 



## Tax Credits

Small businesses could see a tax credit to help offset the cost of providing mandated health care. But some say that current proposals could have unintended consequences. For example, if firms with less than \$500,000 in annual payroll are exempt from the mandate to provide coverage, wages could be suppressed. And if firms with less than 15 employees are exempt, this could prevent them from hiring additional employees.

### Pros

- Businesses that already spend considerable sums on health care may see a net benefit from the proposed tax credits. 

### Cons

- The overall cost of providing tax credits will almost certainly increase the tax burden on businesses.  

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## Resources:

Business groups pace waiting room as Senate conceives health care plan; by Kent Hoover: Houston Business Journal  
 Obama misses the point on health-care reform plan; by Raymond Keating: Houston Business Journal  
 Health care reform could cost for some raise for others; by Kent Hoover: Austin Business Journal  
 Health care reform debate: Big issues at stake for business owners; By Carl Kleimann: Houston Business Journal