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Health care debate involves major issues for small-business owners

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Access to high-quality, affordable health care for all Americans has become a top priority for the Obama administration and Congress. With health care costs rising rapidly, Congress is debating various proposals to overhaul our nation's health care system.

Still in its early stages, the health care reform debate could reshape how small businesses provide health care coverage to employees.

What's being

proposed?

The first and most controversial issue to be decided in the debate is the "public plan" option. Proposals so far include a program entirely controlled by the government; a program created by the government, but administered by the private sector; and a program allowing each state to design its own public insurance plan.

There are many proponents of a public plan, both inside Congress and from business advocacy groups. Most proponents believe that a public plan, which competes with private plans, would force insurance companies to improve efficiency, thereby reducing costs.

Opponents of a public plan believe that it will undermine private insurance, making it harder for private insurers to compete. They also argue that private insurers will be forced to pay higher medical costs in order to make up for lower benefits that providers would receive from a government-run plan. The result, they say, will be that all Americans would eventually end up in a single payer, government-controlled health care system.

Who will be responsible?

Another big question involves mandates — sometimes called "pay or play."

The government must decide whether to require individuals to buy health insurance, require employers to provide it, or some combination of the two. The government would also be responsible for determining what coverage is required.

Under an employer mandate, businesses that fail to provide coverage would be subject to taxation. The tax revenue would be used to reimburse the government for coverage, or subsidized coverage, that it would provide to low and middle-income Americans.

According to some advocates on Capitol Hill, businesses could be required to pay as much as 80 percent of premiums for individual coverage and 65 percent of premiums for family coverage in order to avoid being taxed. In return, the government could provide tax credits to small businesses to help them pay for the coverage.

How will 'small business' be defined?

Another big question is whether certain businesses should be exempt from the mandate — very small businesses, for example. One proposal would exempt businesses with less than \$500,000 in annual revenue.

Currently Massachusetts, one of the first states to implement a statewide health care mandate, requires employers with 11 or more employees to provide health insurance. Most of the federal proposals place that number slightly higher.

Depending on how "small business" is defined, such exemptions could have unintended consequences. An exemption that favors firms with low-wage employees could ultimately suppress wages. An exemption that favors businesses with few employees could stifle growth. Either way, such exemptions could become an integral component of business strategy.

How will businesses benefit?

A recent survey by the nonprofit advocacy group Small Business Majority predicted that without health care reform, costs for small businesses will more than double in the next nine years. Accordingly, any plan to expand coverage must first be focused on controlling health care costs thereby lowering insurance premiums.

Some say a public insurance plan will drive down the cost of private insurance plans for business owners, allowing them to increase wages and invest in growth.

Others see mandates as bad news that will result in increased liability and compliance and, over time, require business owners to bear more health care costs for employees.

Whatever side of the debate you're on, one thing is clear: Any of the current proposals will have a significant impact on small businesses and could reshape the way health care is delivered to employees.

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