

10 REASONS WHY EMPLOYEES SHOULD CARE ABOUT HEALTH CARE REFORM¹

- 1. Employer requirements discourage employment.** Both bills place additional requirements on employers that in many cases will increase employer costs for each employee (8% employer payroll tax in the House bill). With unemployment already at a 26-year high, such requirements that increase the costs of employment will exacerbate the employment challenges in the U.S. A study by the National Federation of Independent Business concluded that a national employer health care mandate would generate a net loss of more than 1.6 million jobs.
- 2. Employer “pay or play” mandate could encourage employers to drop coverage.** Both bills give employers the option to either continue offering coverage or drop their existing coverage and pay a tax. Many employers will choose to pay the tax (\$750 per year in the Senate bill), rather than continue to offer health insurance that would be more expensive than paying the tax. This means employees would be forced to buy coverage on their own (which will likely be more expensive than employer-sponsored coverage) or face a tax penalty for not purchasing coverage.
- 3. Coverage will be more expensive for employees.** Both bills will increase costs and reduce benefit flexibility, according to numerous studies. Benefits must meet certain requirements, which will lead to increased costs for employees. Benefit requirements include:
 - Raising or eliminating annual limits on benefits, which will increase insurance costs
 - No pre-existing exclusions for individuals who have not had health insurance coverage continuously, which will increase insurance costs
 - Mandated dependent coverage until age 26 or 27, regardless of student status, which will increase insurance costs
- 4. Prohibiting and limiting discounts.** Both bills will prohibit discounts based on combined health status of all employees with an employer and limit age discounts for employers with a small number of employees. Studies indicate that this will result in some rates for some small employers and their employees almost doubling in certain states where significant discounts are allowed today.
- 5. New taxes in the Senate bill will drive up the cost of coverage.** A \$6.7B tax on insurers is not tax deductible and will result in approximately 2 percent higher premiums, driving up costs for employees. Additionally, a new 40% tax on high-cost insurance is based on a formula where more and more employees will pay the tax each year.
- 6. New employee payroll deduction for new disability/long-term care benefit in both bills.** All employees will be auto-enrolled in a new disability/long term care benefit at a cost of about \$146 per month that will be deducted from employee’s pay check. Employees who do not wish to participate must opt-out.
- 7. Government-run plan in both bills** will likely under-pay providers, exacerbating the cost shift to employees in private coverage and raising health care premiums.
- 8. A weak individual mandate in both bills,** combined with the new insurance rules that prohibit insurers from applying pre-existing condition exclusions for individuals who wait to get coverage until they need medical care, will result in more unhealthy individuals in the insurance market and higher costs for employees.

¹ The major health care reform bills are H.R.3962 and S. Amdt. 2786. 11/24/09

9. **Higher costs for states in all bills.** While states are already buckling under the pressure of public programs, all bills place a partially-unfunded mandate on states to expand their Medicaid programs, which could result in tax increases for employees.
10. **Weak cost containment in all bills.** While the focus of reform should be improving quality and controlling costs, there is little in either bill that would reform the delivery system and control costs.