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The Impact of Health Reform on the Business Community

Proponents of federal health reform legislation believe that the short-term costs of new coverage programs and other requirements could be offset over the long run – by overall health status improvement and reductions to the rising curve of health care costs. Many business leaders are skeptical, fearing that health reform will place undue financial burdens on employers – in both the short- and long-term.

This *Health Issues Brief* compares many of the business-related provisions in the Senate and House reform bills, which are being merged into a single bill for the President's signature. The *Brief* also outlines the potential impact of reform on both large and small employers.

Individual Mandates

Senate Bill	House Bill
▪ Most individuals would be required to have insurance ▪ Financial penalties of $750/year for non-compliance ▪ Premium subsidies to 400% of poverty ($88,200 for a family of four) ▪ Hardship waivers ▪ Begins 2014	▪ Most individuals would be required to have insurance ▪ Tax penalty of 2.5% of income for non-compliance ▪ Premium subsidies same as Senate bill ▪ Hardship waivers ▪ Begins 2013

***Potential Impact**: Employees could opt out of employer-based coverage in favor of Exchange plans. Employers would be penalized for each "opt-out employee" and those who qualify for premium subsidies.*

Pay-or-Play Mandates

Senate Bill	House Bill
▪ No mandate, but… ▪ Employers with 50+ employees pay $750 per employee for those who opt out and get coverage through Exchanges, and/or receive premium subsidies. ▪ Tax credits for small employers ▪ Employer responsibility for employee notifications re: Exchanges, retiree reinsurance, wellness programs and new privacy requirements for grievances and disclosure ▪ Begins 2013	▪ Employer mandate or penalty of 8% of payroll ▪ Exemptions for payroll <$500k ▪ Penalties phased in for payrolls $500k-750k ▪ Employers w/ 10 or less employees get tax credits for providing coverage ▪ Employer responsibility for employee notifications re: Exchanges, retiree reinsurance, wellness programs and new privacy requirements for grievances and disclosure ▪ Begins 2013

***Potential Impact**: Implications will depend on the number of employees. Small businesses may be able to add or expand coverage. All employers may incur some administrative expenses for privacy and notification requirements. The new payroll surtaxes are not indexed to inflation. Employer costs could be affected by penalties if too many employees opt out of employer plan and/or receive subsidies.*

Insurance Exchanges

Senate Bill	House Bill
▪ State-based purchasing pools for self-employed and uninsured people, and small businesses ▪ Encourages people to keep employer-provided plans	▪ National Exchange for individuals and small businesses (with possible expansion to large employers) ▪ States could run Exchanges using federal guidelines

***Potential Impact**: There will be a need for major revisions to state insurance regulations and addition of regulations for plans that cross state lines. It is unclear how employees will be "encouraged" to keep employer-based coverage.*

Insurance Plan Requirements

Senate Bill	House Bill
▪ Basic benefits package yet to be defined ▪ Four levels of coverage would be set by government; plans would pay 60-90% of annual health care costs. ▪ Premium limits based on family size ▪ No annual or lifetime limits ▪ No denial or higher premiums for pre-existing conditions or gender ▪ Mandatory dependent coverage to age 26 ▪ Voluntary long-term care basic benefit	▪ Establishment of a committee to recommend a basic benefits package to be offered in the Exchange ▪ Cap on out-of-pocket costs ▪ No denial for pre-existing conditions ▪ No denial or higher premiums for pre-existing conditions or gender ▪ Voluntary long-term care insurance plan

***Potential Impact**: Increased costs for employer-based (and individual) health plans. Potential adjustment of employer benefit plans to meet the "qualifying coverage" requirements.*

Public (Government-run) Plan

Senate Bill	House Bill
▪ No public plan. ▪ Instead, people could purchase national plans overseen by the same office that manages federal employee plans ▪ At least one national plan must be not-for-profit	▪ Federal HHS Secretary would run new public plan ▪ HHS Secretary would negotiate rates (no set rates)

***Potential Impact:** Insurers worry that HHS could negotiate lower rates and undercut private insurers. This could drive people away from employer-based coverage, and employers would pay penalties for employees who opt out.*

Health Insurance Antitrust Laws

Senate Bill	House Bill
▪ Maintains antitrust exemptions	▪ Ends antitrust laws on market allocation, price-fixing and bid rigging.

***Potential Impact**: Under the House bill, the FTC could look at the industry at its own discretion.*

Taxes on Large Corporations

Senate Bill	House Bill
▪ Does not address	▪ 9-year delay in liberalization of rules for allocating interest expenses ▪ Fewer deductions for foreign multinational corporations ▪ Higher standards for transactions generating tax benefits

***Potential Impact**: Higher taxes for big corporations.*

Medicare Rate Cuts & other Cost-saving Measures

Senate Bill	House Bill
▪ $400 billion in Medicare rate cuts to hospitals ▪ Fees on insurers, drug makers & medical device makers ▪ 40% excise tax on insurers for plans costing > $8,500 (individual) and $23,000 (family) per year ▪ Employer penalties from employees receiving subsidies ▪ Individual penalties for non-compliance ▪ 2.35% Medicare payroll tax increase for individual incomes over $200k ($250k for couples) ▪ 10% tax on tanning salons ▪ $80 billion over 10 years from drug makers to help close Medicare prescription coverage gap	▪ $400 billion in Medicare rate cuts to hospitals ▪ $20 billion fee on medical device makers ▪ $13 billion from limits on health savings accounts ▪ $460 billion in new income taxes for people making more than $500k per year ($1m for couples) ▪ Individual & employer penalties for non-compliance ▪ Misc. corporate fees & taxes ▪ Requires HHS Secretary to negotiate Medicare prescription rates ▪ Phases out Medicare prescription coverage gap by 2019

***Potential Impact**: Insurers, drug-makers and medical device makers could pass on higher costs to businesses, individuals and insurers. Employers using HSAs could be forced to find more expensive employee coverage.*

Medicaid

Senate Bill	House Bill
▪ Eligibility: parents, children and pregnant women ▪ Eligibility to 133% of poverty (from 100%) - $29,327 for family of four ▪ States could negotiate w/ insurers for people wih slightly higher incomes ▪ Federal govt. to pay full cost of expansion for 3 years ▪ Does not clarify expansion funding after 3 years	▪ Eligibility: men and women under age 65 ▪ Eligibility to 150% of poverty - $33,075 for family of four ▪ Federal govt. to pay full expansion costs in 2013 and 2014 ▪ Thereafter, 91-9 federal-state match

***Potential Impact:** Medicaid buy-in could crowd out private insurers. Already-strained state governments could have to absorb part or all of the expansion costs after two-three years.*