



Healthcare Reform Hitting Home

What employer mandates might mean for Georgia small businesses

by Anne Wainscott-Sargent

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It's been 15 years since a U.S. administration tried to tackle reforming America's healthcare woes. Following last week's prime time press conference, President Obama has taken his proposal for universal health care to the American people directly, underscoring what has become his administration's defining domestic priority. What does the proposal plan mean for Georgia's 177,000 small businesses - especially during one of the toughest recessions in memory?

The employer mandate

The biggest issue facing Georgia employers - and employers nationally, is whether the final legislation will include an employer mandate to provide health benefits to their employees, notes Adam Bruckman, president and CEO of Atlanta-based Digital Insurance, Inc., representing the largest market share of small group insurance business.

"An employer mandate would require that businesses provide health insurance to their employees or pay a penalty for non-compliance," Bruckman says. He cites 2006 data for Georgia businesses, which suggests that 95 percent of businesses with more than 50 employees offer health benefits, but only 33 percent of businesses with less than 50 employees do so.

Insurers like Digital Insurance are focused on the number of uninsured and how to compete aggressively for that population. "A 2006-2007 report from the Kaiser Family Foundation states that 1.66 million people, or almost 18 percent in the state of Georgia, are uninsured," Bruckman says, adding that an unknown factor is what category these uninsured may fall - individual plans, employer plans or subsidies.

Currently the proposals in the House and Senate include some version of an employer

mandate, but the details of the employer mandate provision is something that all businesses should watch closely.

Under the House bill, any company with more than \$250,000 in payroll will have to provide insurance (72.5 percent of individual premiums and 65 percent of family plans) or face a payroll tax, starting at 2 percent and rising to 8 percent for companies with more than \$400,000.

The Senate Help Committee, led by Mass. Sen. Ted Kennedy, has proposed an exemption for businesses with less than 25 employees. The current proposals also allow for some level of premium subsidies to incent smaller employers to offer health benefits to their employees. These subsidies are aimed at businesses with low average wages.

Several organizations are outspoken against the Obama plan, including the National Federation of Independent Business (NFIB), which has 350,000 members - accounting for about 1 percent of the 27 million small business owners in the United States. NFIB Legislative Affairs Manager Michelle Dimarob says the current proposal will make the healthcare cost burden worse for Georgia's business entrepreneurs.

"Year over year, Georgia's small business owners face unsustainable premium increases - often forcing them to make difficult workplace decisions about whether they should change plans, increase deductibles, or pass some costs along to employees. All this does is keep small business owners from investing in their business, looking to hire more employees and grow their business," she says. The type of healthcare reform NFIB would embrace, she told media in a briefing, is a plan that incorporates the "three Cs" - lower costs, increased choice and real competition."

Mike Sullivan, president of Southeast Sealing, Inc., a Conyers, Georgia, company that seals concrete floors for retailers like Old Navy and other Gap Inc. brands, considers the cost burden of covering employee healthcare too great given the economic issue.

"In our company we are down 40 percent a year in sales. Although I provide insurance for employees, we probably don't provide enough and we have the employees paying too much," Sullivan says. "This (plan) could be the straw that breaks the camel's back."

Sullivan has committed to not lay off his 25 employees, but he believes that the current plan if passed would leave him no alternative.

But not all Georgia companies see Obama's healthcare reform as negative.

Leveling the playing field

"I think it will help me provide affordable healthcare for my employees, especially for older employees who come to us with pre-existing conditions. Today, if they come up on my plan, my rates go up dramatically because we are so small," says Diane Roberts, president and CEO of GEARS, a 12-person management-consulting firm based in Decatur. She notes that one employee had a stroke in the past and another is on blood thinner because she has blood clots.

"People come with a variety of health issues," she says. "It's hard for me to provide affordable healthcare for them because these individual companies want to charge so much money. As an employer who is already providing some type of healthcare benefits, I only see this as helping us."

Roberts, who needs to recruit highly educated professionals for positions within her company, notes, "It's very hard for me to compete to recruit and retain good people because they expect those kinds of benefits."

Roberts is not the only small business owner who would like to have a system with government-guaranteed coverage. The Robert Wood Johnson Foundation recently conducted a study, which reported that 70 percent of small business owners favored government-managed purchasing pools, and two-thirds agreed that business should contribute to a reformed system along with government, the healthcare industry and individuals.

"Depending on the state, half to 80 percent of respondents agreed that businesses should pay something toward the health insurance of their workers," Michael Lipsky stated in his July 21, 2009, public policy blog, Demos.

Some industry observers are hopeful that this time people can rise above ideological arguments and keep their eye on what everyone wants: lasting and workable healthcare reform.

"A useful debate..."

"I think we're headed in the right direction where we are having discussions about bending the cost curve - meaning, how are we going to take existing dollars and get more out of what we're spending?" says Brian Feldman, a former lawyer and 15-year veteran of healthcare advocacy, who runs the Atlanta and Washington, D.C. offices of public affairs firm Allison & Partners. Half of his Atlanta clients are in the healthcare sector.

"That is a useful debate, which should help drive down costs if it's implemented in the legislation," he says.

The ultimate goal of universal healthcare, Feldman contends, is to prevent people from getting sick, and keeping them out of emergency rooms since people with health insurance coverage will seek out doctor care earlier rather than waiting until an acute incident happens.

"When the debate veers off into ideological issues like whether or not to have a public plan, then I think we are kind of off track and not headed toward a place where costs will stop increasing," Feldman says.

He predicts that solely implementing individual and employer mandates will not work because costs will keep going up. Feldman remains encouraged by the quality of the dialogue happening now compared with the Clinton healthcare debate of the mid 1990s.

"Fifteen years ago... they weren't talking about wellness, prevention, changing the incentives, or paying for quality, not quantity. They were just talking about systems – how do we get everybody covered, how would it be managed? They weren't talking about these larger issues...we pay too much more for healthcare than our other Western counterparts and don't necessarily get better outcomes is not sustainable."

And, given mounting job losses and fears of more layoffs before the recession turns a corner, some residents fear the status quo in healthcare may not sustain them, given the exponentially high premiums laid off workers pay to keep their benefits through COBRA Health Insurance.

"Hospitals, pharmaceutical companies and doctors all realize the stakes are much higher. We are going to find a compromise - it is such an economic imperative," Feldman says.

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